FINANCIAL TIMES

World Business Newspaper http://www.FT.com

THURSDAY SEPTEMBER 17 1998



Artificial sweeteners Intense enough to set Winnie's teeth on edge **Technology, Page 12**



How to unload the goods Asia can no longer buy



Iran and Afghanistan

Germany Can the FPD save itself and Kohl again Page 3

WORLD NEWS

Pressure grows for tougher action over killings in Kosovo

Britain and France are to push for a United Nations resolution imposing a worldwide flight ban on Belgrade and demanding that Yugoslav president Slobodan Milosevic stop the killing in Serbia's Kosovo province. London also abandoned its previous resistance to an immediate ban on Yugoslav airlines using European Union airports. Page 3

Italy urged to change air plan Italy is being pressed to produce a new air traffic plan for its airport at Malpensa, outside Milan, after Brussels declared existing proposals Iliegal. Page 2

Basque terror group may call truce The Basque separatist guerrilla group Eta is preparing to declare a conditional truce within the next few days, a Spanish newspaper reported. Page 2

Albanian opposition stages march Albanian opposition leader Sali Berisha denounced government. plans to prosecute him and his followers as coup plotters. The former president led a march through Tirana, where seven people have died in recent politically-inspired violence. Page 2

Iran set for army manoeuvres Army divisions from nine Iranian provinces are heading for the Afghan border for manoeuvres that could begin as early as Saturday, the military said. Taliban threat, Page 4

Alperia report a 'whitewash' Human rights group Amnesty International branded a UN report on Algeria a "whitewash". The UN document sympathises with Algiers' struggle against radical Islamists but blames it for some

Indonesia to probe Subarto wealth Indonesia is to investigate the wealth of former president Suharto as protests and rioting spread. The former president has denied amassing a fortune over-

NY shapes up for election fight A tough election battle is in store for New York's senate seat after Democrats nominated Brooklyn congressman Charles Schumer to challenge Alfonse D'Amato, the current senator. Page 9

Pakistan balks at signing Pakistan said it would not sign the Comprehensive Test Ban Treaty while subject to economic sanctions for conducting nuclear weapons tests in May. Page 6

Cambodia deaths raise questions The UN human rights office in Cambodia said the bodies of two people in monks' clothing had been found since a clampdown on anti-government protests began last week. Buddhist monks have been forbidden to leave their temple grounds since joining protests against the ruling party's July election win.

Ex-PM enters WTO contest New Zealand nominated former prime minister Mike Moore as third official candidate to succeed Italy's Renato Ruggiero as director-general of the World Trade Organisation.

Plastic menace for sacred cows Hindu guru Swami Vasudevanand Saraswati wants plastic bags banned because hundreds of India's sacred cows have choked on them as they search the streets for food. At least 40,000 cows roam New Delhi.

Federal Funds _______5441 3-min Treas Billis: Yld ______A.77%

BUSINESS NEWS

Shipping groups fined \$298m over price fixing cartel

The European Commission imposed record fines totalling Ecu273m (\$298m) against 15 cargo shipping groups for abusing their dominance of the mar-ket and operating a price fixing cartel. Page 16

Metro, Europe's biggest retailing group, launched a DM5bn (\$2.7bn) reorganisation to simplify its structures. Page 17

Crédit Agricole Indosuez, investment arm of the French

mutual banking group, blamed troubles in emerging markets for a 32 per cent fall in first-half net profits to FFr362m (\$59.7m).

General Motors, the world's second largest carmaker, is to raise its stake in Japanese motor group Suzuki Motors from 3.3 per cent to 10 per cent. Page 17; Observer, Page 15; Welcome boost, Page 18

Compaq Compater, personal computer maker, is to target local consumer PC assemblers in Germany with a cut-price Dm1,699 (\$1,007) machine built by a local partner. Page 20

NTT DoCoMo, the world's largest mobile telecoms operator, expects buying out partners and covering losses in its personal handyphone service to cost Y400bn (\$3.05bn) this year. Page 17

Banco Bilbao Vizcaya of Spain took majority control of BHIF. Chile's seventh biggest bank, to 55 per cent with a Pta3.5bn (\$24m) equity purchase. Page 20

Hyder, Weish utilities and infrastructure group, is to sell its 35.8 per cent stake in the Czech Republic's second biggest water company. Page 23 Brierley investments, New

Zealand-based investment-group, suffered a NZ\$123m (US\$63m) loss from the joint venture which bought the New Zealand Forestry Corporation. Page 18

latel, US semiconductor maker, formed an internet multimedia technology and marketing partnership with specialist software group RealNetworks. Page 19

Dairy Farm, international retalling arm of the Jardine group, reported interim net profits more than doubled to \$86.8m for the six months to June 30. Page 18

Chargeurs, French textiles group, further downgraded its full-year sales forecast, but reported a 23 per cent increase to FFr181m (\$29.9m) in first half net income. Page 20

Tokvu, troubled Japanese department store group, said it would sell its third largest store and close several overseas operations. Page 18

Hongkong Land, one of the territory's biggest landlords, reported an 18 per cent decline in net profits to US\$168.9m. Page 18

Campbell Soup, US food company, said it was thinking of setting up soup klosks in shopping mails and airports. Page 19

World Equity Markets

The latest trends and data from more than 50 national markets at a glance

WORLD MARKETS

EXCERNISE RATES

(+31,32) (+25,75) (+10,0) (-29,67)

(12.685)

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Fed plays down hope of rate cut

in response to global financial turmoil By Gerard Baker in Washington Alan Greenspan, the chairman of

No loosening of US monetary policy

the US Federal Reserve, yesterday played down the possibility of a concerted move by the world's leading central banks to cut interest rates to stop the spread of the global financial

"At the moment there is no endeavour to co-ordinate interest rate cuts," Mr Greenspan told a special hearing of the House of Representatives' Banking Committee on the international economic turmoil.

But the Fed chairman said the central bank officials of the Group of 10 leading industrial nations were in "fairly extensive conversations" about international financial conditions.

Mr Greenspan gave no repeat of his hint earlier this month that the US central bank was prepared to loosen monetary policy if international conditions deteriorated further. But he said that while the Fed's primary concern remained the condition of the domestic US economy, the impact of the problems in international markets was something it had to consider.

focused on the American economy, there is no way we can do that without reference" to what was going on in the rest of the

While our actions must be

Jones Industrial Index, which had gained ground before Mr Greenspan's comments on expectations of a rate cut, fell after be played down concerted action. It was down 37.33 points at 7,987.05 at 2,25pm New York time.

Many financial market econo mists had been hoping Mr Greenspan would give a clear indica-tion that the US was prepared to cut interest rates soon, but in his prepared remarks, the Fed chairman made no mention of monetary policy. The Fed's policy-making open market committee next meets on 29 September and some analysts believe that if a rate cut was likely at that session, Mr Greenspan would have signalled it yesterday.

Instead he confined his obser-

Time to buck up - Stat Editorial Comment

vations to warnings against the rising tide of calls for controls on capital flows. He said such con- standard of living and slow trols were difficult to remove once in place and meant the availability of necessary foreign capital would shrink significantly. "To be sure, any economy can operate with its borders closed to foreign investment," Mr world, he said, responding to Greenspan said. "But the eviquestions about the outlook for dence is persuasive that an econ-

Global context: Gordon Brown, UK finance minist omy . . . inhospitable to risk capital, will be mired at a sub-optimal growth rate." On Tuesday, Hans Tietmeyer.

Robert Rubin, the US Treasury secretary, told the committee that the US was prepared to do what was necessary to prevent the further spread of the crisis. He repeated the pledge by the Group of Seven leading industria-

implement policies to promote the G7 finance ministers, emphasustainable growth, noting again that inflation was "low or falling in many parts of the world ".

president of the Bundesbank, Germany's central bank, ruled out German interest rate cuts. In talks yesterday with Kiichi Miyazawa, Japan's finance minister, Gordon Brown, the UK chan-

sised that the problem of Japan's ailing economy must be considered in a global context. The US and Europe had a strong interest in helping Japan by resisting protectionist pressures if monetary expansion should depress the yen and so promote Japanese exports.

Additional reporting by Max lised countries this week to cellor and current chairman of Wilkinson in Tokyo

Toys R Us shuts stores in \$495m revamp to shed warehouse image

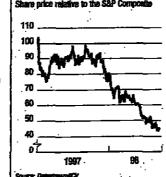
By Richard Tomkins In New York

Toys R Us. the world's biggest toy retailer vesterday moved to years. counter tumbling profits by announcing a drastic overhaul of its stores, including the closure of nearly 50 European outlets and the loss of 3,000 jobs worldwide.

It said the restructuring would bring an after-tax charge of \$495m in its fiscal third quarter to October 31 - more than the company's net profits for the whole of the last financial

The move is intended to transform the company from a chain of cut-price toy warehouses competing with other discount stores into a retailer offering a much

Tows R Us Share price relative to the S&P Composite



broader array of merchandise and services for children and families.

It said it would start remodelling its stores with a new format that would present goods in a completely different way, with nomic value added". Which separate departments for electronics, children's clothing and cut-price deals. To improve profitability; it would close 50 of its 448 international stores, as well as nine stores in the US.

Most of the international stores to be closed are in France and Germany. In addition, many Kids R Us clothing stores in the US will be merged into Toys R Us stores. The group's 60 stores in the UK are unaffected. Mr Robert Nakasone, who took

over as chief executive earlier this year, said the restructuring

and by even more in following The company's share price was little changed after the announce ment, reflecting the market's wait-and-see attitude to the changes after several previous attempts to reinvigorate its flagging profits. In early afternoon

trading, the shares were down \$1/2 Ursula Moran, an analyst at Sanford C. Bernstein, said: "We don't yet know whether this new format will actually perform. They have tested elements of it in various places, but prior to this they haven't tried bringing

the whole thing together.' In the US, Toys R Us has been struggling for years against stiff competition from discount stores and membership warehouses, which sell the bestselling toys at even lower prices

Toys R Us has also been suffering from poor returns in Europe. where wages, real estate and distribution cost much more in the

This factor has proved the undoing of many other US retailers attempting to penetrate the European market.

Analysts say Toys R Us has also been insufficiently responsive in adapting its formula to local conditions and consumer preferences in different European

The closure of some European operations follows a decision by Toys R Us to adopt the manage ment system known as "ecoencourages companies to scrutinise each investment to determine whether it meets or exceeds their cost of capital.

The store redesign announced yesterday will replace the warehouse style ambience with a more customer-friendly style. Each store will contain separate departments known as Media World for electronics, Kids Apparel for clothes, and Deal World for special promotions. About 75 per cent of all US

stores are due to be converted within two years.

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IMF sees growth down to 2%

Stephen Fidler in New York

mate of world growth this year to 2 per cent, Michel Camdessus, IMF managing director, said yes-

The IMF, which will officially announce the figure early next month at its annual meeting, has should improve operating profits by more than \$75m next year, been steadily downgrading its forecasts since a year ago, when it projected 4.25 per cent growth this year. Its last official forecast, published in May, was 3.1 per

> Mr Camdessus also said governments were considering a proposal to give the IMF powers to reeze bond issues temporarily, to

response to the difficulty in Others favoured a less formal Intensifying global financial resolving debt problems in Asia approach. turmoil has led the International and in Russia since the onset of Mr Camdessus said the proposal - along the lines of Chapter

11 of the US bankruptcy code was one of several ideas aimed at allowing debt restructurings without triggering legal action. The freeze on bond settlements would last for two to three months, giving debtors and creditors time to negotiate without the

threat of litigation. It would, however, require changes in the In an interview in New York. IMF's articles of agreement and is subject to agreement among its

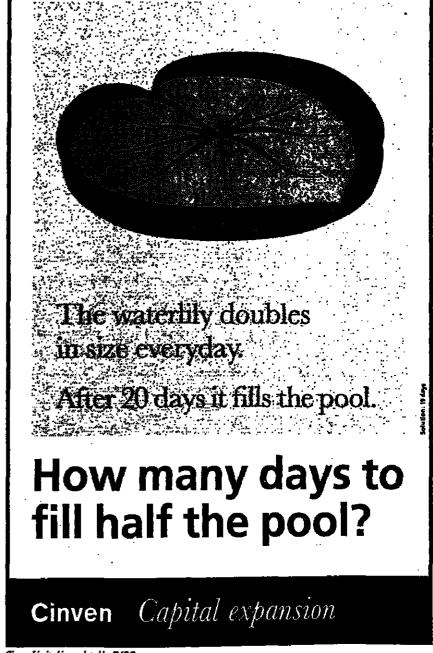
Some governments opposed the measure, arguing it was cumber-

help defuse international debt some and would require changcrises. The plan has emerged in ing legislation in many countries.

> He said the IMF board had ratithe fund to lend to governments in arrears in their foreign debt payments "provided the prospect for a civilised dialogue with creditors exists".

> Mr Camdessus said debt hold in bonds, rather than bank debt as in the 1980s, was a complicating factor because it involved a much more diverse group of creditors who were "difficult to federate". But there was no "grandiose" new plan to handle the debt problem nor any enthusiasm for an international bankruptcy

It's a Cinven challenge



Pere looking shead

me and how much

bachalder value. And pears? Let's figure !!

Primakov rejects 'talk of red revenge'

By John Thombill in Moscow

prime minister, yesterday arrears. denied his government would revert to heavy-handed communist the monetarist policies purmethods of running the sued by "young and inexpeeconomy as he appointed rienced" ministers in the three moderate ministers to his cabinet.

"Talk of some sort of red revenge or the end of meeting with Mr Primakov, reforms is completely groundless," he said. However, two more power-

Crisis boosts energy sector

By Arkady Ostrovsky in Moscow

The balance of power between Russia's banking and energy magnates is being transformed by the country's financial crisis. with the once dominant banks losing out.

While most Russian banks have been severely hit by the retired army captain devaluation and by the government's default on its domestic debt, the oil and

gas sector has gained. Devaluation has lowered the break-even point for oil companies by about 20 per cent and is likely to continue to increase their profit margins as rouble costs fall relative to their hard currency revenues. According to Brunswick Warburg, the Moscow-based brokers, oil companies derive more than 50 per cent of their revenues from exports, while 90 per cent of their costs are in rou-

The distinction between thousands of companies banking and oil is somewhat artificial because many big cash transactions as the oil companies have been bought by the banks. But plummeted. the durability of these relationships is now being questioned. "The era of consolidation between the oil sector and the banks may be com- shape Russia's financial ing to an end," says Stephen markets for years to come. If O'Sullivan, head of research at United Financial Group. the fear is that Russians will The financial crisis is never again trust their revealing the inherent ten- savings to any local bank. sion between the banking oligarchs and the oil compa-

These tensions are becoming more pronounced as the oil and gas companies gain support from the new government of Yevgeny Primakov, who has repeatedly stressed the priority of the "real" economy over the financial sector.

The good fortune of the oil sector could, however, be short-lived if hyperinflation brings the entire economy crashing down. "Who is going to invest long-term in an economy with hyperinflation?" says Otto Latsis, one of Russia's leading com-

Some oil companies with high foreign borrowing have already been hit by the devaluation. Tatneft, for example, has accumulated debts of \$900m and devaluation has raised the projected cost of servicing that debt from Rbs985m to Rbs1.6bn for 1998. Surgutneftegaz, one of Russia's most profitable companies, has dollar revenues of \$1.5bn and no debts. But it has lost its savings as a result of the banking cri-

"We do not even know how much we have lost," said Raisa Khodchenko, spokeswoman for Surgutneftegaz, "Like the whole country we feel we are flying over an abyss, not knowing what is underneath us."

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ful voices were added to the campaign to print money to Yevgeny Primakov, Russia's pay off wage and pension

Yuri Luzhkov, Moscow's populist mayor, condemned previous government and called for the new government to print money In a

he also urged the new gov-

ernment to nationalise some

"criminally-privatised" com-

Gerashchenko holds

the key to markets'

long-term future

If the crisis is badly handled Russians

may never again trust their savings

ast week Yuri Bystrov's

patience snapped. After

a St Petersburg bank

repeatedly prevented him

from withdrawing \$14,300

from his savings account.

walked into the bank's

offices reeking of petrol and

threatened to set himself

alight. Local newspapers

reported Mr Bystrov received his money -

although the bank denied it

for fear of encouraging copy-

In the past few weeks, as

the country's banking sys-

tem has ground to a halt,

millions of Russians have

experienced the same frus-

trations as Mr Bystrov.

Household deposits have

been frozen, transfer pay-

ments - including for wages

have reverted to barter and

value of the rouble has

How Victor Gerashchenko,

the newly appointed head of

the central bank, responds to

this banking crisis will

the crisis is badly handled,

Other east European coun-

tries have emerged from sim-

ilar banking crises with

The banking system in

have not been made and

cat incidents.

to local banks, writes John Thornhill

responsible Sergei Yegorov, the president of the Association of

panies and prosecute those

Russian Banks, also called for a "just emission" of money to ease the liquidity problems in the country. Mr Primakov, who must complete the formation of his government by tomor-

the public's distrust of banks

since the high inflation days

of the early 1990s that the

population's preferred method of saving has been

to stuff US dollars under

The high yields that could

be obtained in the govern-

ment debt (GKO) market

also "crowded out" invest-

ment in the real economy.

Russia's 1.300 banks came to

resemble aggressive New

York hedge funds, earning

their money on capital market speculation, rather than

German-style banks, making

steadier returns from

straightforward financial

But the inherently fragile

banking system was dealt

two terrible blows on August

17 when the government

devalued the rouble and

froze the GKO market. At a

intermediation.

row, has appointed Alexander Shokhin, the parliamentary leader of the Our Home is Russia movement, to a senior ministerial post.

responsible for relations mer prime minister who with the international financial institutions, was closely involved in the reform drive industry and communicain the early 1990s but has since called for greater state

intervention Vladimir Ryzhkov, the first deputy parliamentary speaker who is also a mem- are being warily assessed by ber of the Our Home is Rus- foreign investors, who fear sia movement, was given the government may revise ministerial responsibility for plans to restructure the govsocial issues. Vladimir Bul- ernment debt (GKO) market gak, a close associate of Vic- to their disadvantage.

Mr Shokhin, who will be tor Chernomyrdin, the forheads Our Home is Russia, was reappointed as head tions minister.

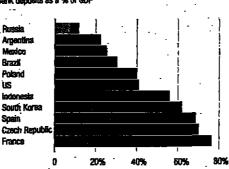
Yesterday's appointments moved Mr Primakov's cabinet closer to the centre ground but his intentions

uty chairman of the central bank, confirmed a new scheme to restructure the frozen GKO market had now been worked out.

The official rouble exchange rate fell heavily yesterday after strengthening earlier in the week. The central bank set the official rate for today at 12.45 to the US dollar, compared with 9.61 on Wednesday.

Capital Markets, Page 26





Forex translation loss (Sbri)	1.5-3
Loss on forex-denominated securities	(Sbn) 4-5
Loen kosses	100-130
Loss on GKOs"	40-60
Loss on equities	15-20
Total loss	190-260
i/recoverable loss	130-190

so-called restructuring of the last month, this extra liquid-GKO market is just plain robbery: \$20bn has been washed out of Russia's financial system. Like Bolsheviks, they just took away this money," he said.

Many Russian banks were badly exposed to the dollar stroke most of Russia's forward market after the banking system was ren- rouble's devaluation. They

'This so-called restructuring is just plain robbery. Like Bolsheviks,

they just took away this money'

Brunswick Warburg, a Moscow-based investment bank, estimates that bank losses now amount to 40 per cent of total banking assets. strengthened financial systems after introducing stricter regulation and allowing foreign banks unresgest commercial retail bank. tricted access to their maraccused the central bank of in effect expropriating the Russia, though, has never

had also taken out big loans denominated in foreign cur-

In responding to the crisis. the central bank has been caught in an agonising At a recent press confer- dilemma. Injecting liquidity ence Alexander Smolensky, into an unreconstructed head of SBS-Agro, the big- banking system has had much the same effect as pouring water into a sieve. When the central bank lowered the banks' minimum banking industry's liquidity played as significant a role by forcibly restructuring reserve requirements from in the economy as in many government debt. "This 10 per cent to 7.5 per cent

tem then this can be done. You can easily recapitalise the whole industry by using 'inflation tax' and taking \$100 from 140m people."

dollars, depressing the rou-

One former government

minister says witheringly:

"If you want to inject more

capital into the banking sys-

ble and spurring inflation.

But if the central bank maintains too tight a credit policy it risks aggravating the run on the banks and destroying the payments system within the country. Already the federal government reports that tax receipts have dropped because companies have been physically unable to

transfer money to Moscow. The central bank is creating a mechanism to protect all household deposits and is gradually putting some insolvent banks into administration. But many observers are calling for far more radical action.

Dmitry Vasilyev, head of Russia's Federal Securities

Commission, argues that the ity simply flooded into US central bank must lift its 90day moratorium shielding banks from their foreign creditors and allow the market to determine which banks should fail.

"All restrictions on foreign banks operating in Russia should be removed." Mr Vasilvev adds. "The banking system must exist in the interest of the Russian people and Russian enterprise, not in the interests of a small group of bankers."

Some foreign creditors though, fear the banks are using the cloak of the moratorium to strip their remaining assets, meaning there will be little to salvage when the moratorium is lifted. Oleg Babinov, director of

the Moscow office of The Risk Advisory Group, an investigative consultancy. believes there has already been a massive transfer of funds out of troubled banks. "If western creditors are

allowed access to the assets of bankrupt Russian banks

BASQUE SEPARATISTS SPECULATION GROWS ABOUT CEASEFIRE BY MILITANTS

Caution on Eta truce rumours

By David White in Madrid

Eta, the armed Basque separatist group, although its conditions would almost certainly be unacceptable to the government in Madrid. truce" which would provide

installed centre-right government rejected as a "trap".

Speculation is mounting in

Spain about an imminent ceasefire announcement by Ministers have issued warnings about a "fake

a breathing-space for Eta and boost support for its political wing, Herri Bata-suna (Popular Unity). It would be the first suspension of Eta hostilities since a one-week truce in 1996, which the newly

talks on Eta's demands, which focus on the Basques' right to opt for indepen-

Rumours that Eta might be preparing for a ceasefire have increased in the run-up to regional elections in the self-governing Basque country on October 25. They have been strength-

ened by a luli in terrorist attacks since June, when an Eta car bomb killed a town councillor, the sixth politician from the ruling Popular party to be murdered in 12 Eta, which has killed 770

people over the last 30 years, said in April it was "ready to learn" from the Northern The government has consis- Ireland peace agreement but

it was planning to cease hostilities.

A ceasefire would be seen as vindication for the (PNV), the region's leading political force, which has incurred heavy criticism for its insistence on maintaining contacts with Herri Bata-

Herri Batasuna is contesting the elections in a wider coalition called Basque Citizens, in what appears to be a pre-emptive move against the possibility of being outlawed. This summer, its newspaper Egin was closed down on a judge's order for assisting Eta.

A controversial declara-

tently refused to consider gave no sign at the time that parties, unions and lobby groups, including the PNV and Herri Batasuna, proposed offering Eta talks "without conditions" and Basque Nationalist party accepted that a permanent ceasefire might come only later in the process. Both main Spanish parties - the Popular party and the Socialists - strongly objected to

Prance, who argued for an end to violence. Security officials fear that Eta might yet put an end to expectations

the pact as serving Eta's interests. The initiative was clearly in preparation for an Eta peace bid. However, two weeks ago Eta expelled José Luis Alvarez, a prominent member currently in jail in

tion last Saturday by Basque though a high-profile attack

ENLARGEMENT DEBATE NEW GOVERNMENT WANTS TO JOIN 'FAST-TRACK' ENTRANTS

Malta knocks at EU door again

By Michael Smith in Brusseis

Malta's application to join the European Union has biggest election victory in been swiftly resuscitated by its new government and the war, it wasted no time in island republic - or at least renewing the application. half of it - waits expec-

But how realistic is it that Guido de Marco, the foreign the trio of Mediterranean minister, after formally reislands with 370,000 inhabit- submitting the application ants should be able to jump ahead of five other EU applialready embarked on "fast-

track" negotiations? the queue, with the promise could go beyond the next of early entry talks in the general election. bag. But in October 1996 the EU application.

Nationalist party won the Malta since the second world "Now we are where we were 22 months ago," enthused

this week. In Brussels, however, the cants and join another six mood is less euphoric. One concern is that Malta may change its mind again; even Two years ago Malta was. if it were given fast-track with Cyprus, at the head of status, entry negotiations

Mr de Marco said the EU Labour party won elections need not fear. His party had and promptly withdrew the won all elections since 1981 except that in 1996 and it entry - Bulgaria, Romania, of government in December.

When the door revolved had always been pro-EU. again last week and the A second problem is h A second problem is Malta's size. It would be the members of the Commission. as they do now, or hold the

> rotating EU presidency. Malta's supporters say Cyprus, with 820,000 citizens, not much bigger, and they Hungary and Slovenia.

A further potential difficulty is that Malta's request

Lithuania, Latvia and Slovakia - to move up a league. "No one is against Malta smallest EU nation and its but it is a question of candidature will renew whether anyone tries to debate on such questions as exact a price," said one dipwhether all countries should lomat. One theory is that be allowed to nominate Sweden will try to push its fellow Baltic states of Latvia and Lithuania into the fasttrack group.

All of these issues can be resolved, however. Malta and Estonia, with 1.3m, are also has the advantage of a favourable opinion from the are both in the fast-track Commission on its suitabilentry talks, along with ity for membership, given in Poland, the Czech Republic, 1993, and it has a relatively mature economy.

On balance, diplomats say, Malta is more likely than not could spark a push by the to win fast-track status but five countries in the second it will not know until the wave of countries seeking Vienna summit of EU heads

Italians defiant over airport By James Blitz in Rome and Michael Smith In Brussels

The Italian government was last night under pressure to come up with a new air traffic plan for its airport at Malpensa, outside Milan, after the European Commission formally declared existing proposals illegal.

Claudio Burlando, Italy's transport minister, called the rejection of the existing Malpensa plan "absurd". He has vowed that the expanded airport - one of the biggest public sector projects launched in Italy for many years – would open on time on October 25.

However, transport ministry officials admitted Italy was now legally required to come up with a new decree on the flight plans for Malpensa and nearby Linate airports to overcome Commisconcerns competition.

Italy wants all airlines except Alitalia, its national carrier, to move to Malpensa, 50km from Milan. Linate airport, which currently serves the city, is only 10km away. Nine leading European airlines have complained this would give Alitalia an unfair advantage as international travellers would be likely to depart from Linate and fly to Alitalia's Rome hub rather than endure the trip to Malpensa.

Mr Burlando said: "Malpensa will open on October 25. There will be a new plan [for air traffic] and I do not exclude recourse to the European Court of Justice."

NEWS DIGEST

TRADE UNIONS

Plans for Europe-wide collective bargaining

Emilio Gabaglio, general-secretary of the European Trade Union Confederation, said yesterday that his organisation favoured drawing up guidelines for union negotiators across the European Union. Such a step would seek to promote European-wide collective bargaining in response to the creation of the euro.

Meetings have already taken place with trade union federations on the new structures required to carry out this: approach. Next year's conference of the ETUC in Helsinki is expected to endorse the new collective bargaining

Unions from Germany, Holland and Belgium met last week to agree a common collective bargaining agenda in pay negotiations. This is seen as a prototype of the kind of system that could be introduced at EU level.

The leaders of the ETUC are meeting members of the European Central Bank in Frankfurt on November 24 to discuss the establishment of a formal social dialogue between trade unions and the bank. Mr Gabaglio said the ETUC's long-term aim was the "creation of a European system of industrial relations". This would complement existing bargaining structures at national, regional and workplace level. Robert Taylor, Blackpool

GERMAN TRADE

Monthly surplus climbs

Germany recorded in July its highest monthly trade surplus since 1988, with the surplus climbing to DM14.2bn (\$7.8bn) from DM11.2bn in the same month last year. Preliminary figures released yesterday by the federal statistics office in Wiesbaden show German companies exported goods worth DM85bn in July, a year-on-year increase of 7.7 per cent. Imports rose 4.6 per cent to DM70.8bn.

Despite the July figures, Hans Peter Stihl, president of the German chambers of industry and commerce, warned that export growth had slowed in the summer months. There was growing insecurity among exporters because of the recent economic crises, he said. Tobias Buck, Bonn

BUNDESBANK REPORT

Business shrugs off crises

The international financial crisis has had little effect on the German economy so far this year, the Bundesbank said in its latest monthly report. German businesses remained cautiously optimistic despite the international turmoil.

The central bank said the relative slowdown in growth during the second quarter was merely a "technical reaction" after the opening period was boosted by special factors, including a mild winter. Investment activity and future investment intentions also remain positive. The bank said the economy faced neither deflationary nor inflationary threats at present. The low rate of inflation was consistent with price stability and would allow interest rates to remain moderate.

The bank confirmed the labour market had turned the corner during spring, as the seasonally adjusted number of employed rose by 100,000 from the start of the year. Tax revenues also increased. Wolfgang Münchau, Frankfurt

SCHENGEN ACCORD

Action on illegal immigrants

Action to tackle illegal immigration and cross-border criminality was agreed yesterday by ministers from Schengen agreement countries at a meeting in Bonn. The Schengen agreement, which came into force in 1995 to eliminate border controls between European states, currently involves Germany, France, Italy, Spain, Portugal, Austria,

the Netherlands, Belgium, Luxembourg and Greece. Yesterday's meeting agreed on "immediate and consequent" extradition of illegal immigrants, intensive controls on Schengen area borders and the taking of fingerprints from all illegal immigrants.

"Schengen is not only about freedom of movement, but also about making borders secure." Manfred Kanther, Germany's interior minister, said after the meeting. He added that the line of action approved yesterday would help reduce illegal immigration from Kosovo and North Africa.

The conference also agreed on setting up a standing committee to monitor the progress of prospective Schengen members. Tobias Buck

SINGLE CURRENCY

Companies 'well informed'

Deutsche Bank said yesterday that companies in the euro zone were, on the whole, well informed about the European single currency with just over three months to go before its launch. "Among large corporates, the Dutch are clearly ahead: half of them feel 'very well' informed and the other half 'well' informed," said a Deutsche spokesman after a survey of 1,000 companies.

In comparison, only 13 per cent of Italian companies surveyed felt very well informed and 57 per cent well

The survey was carried out in Germany, France, Italy, Spain and the Netherlands by Deutsche in collaboration with the Emnid polling institute.

In Germany, 90 per cent of small and medium-sized companies described themselves as very well or well informed, the spokesman said.

About 40 per cent of companies in the five countries planned to convert their bank accounts to euros on January 1 or in the course of 1999. Reuters, Frankfurt

EUROPEAN PARLIAMENT

Plans to overhaul allowances

Leaders of the European Parliament were last night voting on plans to overhaul the lavish system of MEPs' allowances, after stinging criticism from the European Union's spending watchdog. The parliament's bureau, or crossparty political leadership, was due to vote on two plans changing the controversial system of lump-sum payments to cover MEPs' travel costs between their homes and parfiament meetings in Brussels and Strasbourg.

One plan - by Richard Balfe, a British Labour MEP would replace lump sum payments with reimbursement of travel costs. A second proposal, from José-Maria Gil-Robles, partiament president, would introduce reimbursement of business class air fares, plus a top-up payment on a sliding scale depending on the distance of an MEP's home

from Brussels, to cover additional travel costs. The EU's Court of Auditors last month found MEPs' travel expenses in 1996 totalled Ecu27.6m (\$30m) - 30 per cent higher than the cost of flying every single journey business class. But with the planned changes causing deep splits among political groups, some officials suggested the bureau might adopt neither plan but launch a further probe into the issue. Nell Buckley, Strasbourg

calls fo

FINANCIAL TIMES THURSDAY SEPTEMBER 17 1998

Business stream of the

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MARY KAMEN

Breed State Company of the

Monthly surplus climbs

MUNICIPAL REPORT

SOUNGE & ...

UK imposes Yugoslav airline ban

By David Buchan in London, Laura Silber in New York and Quentin Peel in Brussels

Britain and France said yesterday they would push for a United Nations resolution imposing a worldwide flight ban on Belgrade and demanding that Slobodan Milosevic, Yugoslav president, halt the killing in the Serbian province of Kosovo.

The UK government also barred JAT from UK airports from today, abandoning its previous resistance to immediate implementation of a European Union ban on Yugoslav carriers.

London claimed that, by his behaviour in Kosovo Mr Milosevic had "morally and politically forfeited" the normal 12 months' notice Britain would have given before excluding his airlines.

A UN resolution would provide a convenient pretext for Britain to align itself at last with the majority of EU states. The Security Council move was devised with Hubert Vedrine, French foreign minister, who spoke yesterday with Robin Cook, UK foreign secretary.

French officials in Paris said they shared Britain's series of options and are gloomy appreciation of the ready to use those options if worsening plight of refugees in Kosovo, faced with repri- the Nato military insisted sal attacks by Serb police in that their first step would be the last two weeks, the onset of colder weather, chaos in neighbouring Albania and tion that effectively frightthe closure of the border

resolution would not author- mediate options.

Serbs

throw

doubt

ovo, something which

Britain and France recognise their fellow permanent Security Council member, Russia, would still veto. But it would demand a ceasefire, withdrawal of Serb special police. better access by humanitarian agencies to refugees, as well as dialogue with the ethnic Albanian majority.

"We have been waiting for the right moment (for this resolution!" said a UK official, "and there are some willingness to consider this". But diplomats cautioned that getting a resolution through the Security Council could take time. The six-nation contact

group on Kosovo, comprising

the big western powers plus Russia, is to hold in New York next week its first ministerial meeting since May. Chris Hill, the US troubleshooter on Kosovo, yesterday briefed Nato ambassadors in Brussels on the situation in the province. Afterwards a Nato spokes-man said the alliance

remained ready to intervene

militarily if need be. necessary", he said. Initially, destruction of all Serb air defences, a drastic precondiened Nato into inaction. But Nato is understood to have The Anglo-French draft since worked out some inter-

Berisha calls for more

on poll

The western organisers of last weekend's elections in Bosnia were accused by a coalition of ultra-nationalist Serb parties yesterday of preparing to falsify the attempting a coup and called

Diplomats fear the elections, in which Biliana Plavsic, the western-backed president of the Serb-controlled half of Bosnia, appears to have lost power, could blow to the Bosnian peace process since the US-mediated Dayton accord ended the civil war nearly three

'We all feel sick. It's a terrible blow," said one western official in Bosnia. "We have

to rethink our strategy." The Serb accusations arose from the decision of the Organisation for Security and Co-operation in to withhold preliminary elec-

According to diplomatic sources, Nikola Poplasen. leader of the hardline Radical party, is heading for an unexpected victory over Mrs Playsic, Diplomats said about 25 per cent of the vote had still to be counted but it was unlikely Mrs Playsic

would catch up. With Serb hardliners in power, and Moslem and Croat nationalists ruling the other half of Bosnia, the slow process of refugees returning to areas where they would be in an ethnic minority is likely to grind to

The rate of "minority returns", as the process is known, is seen by western governments as the litmus test of the Dayton peace process. One diplomat predicted that almost all aid would be cut off from the Serb half of Bosnia and there would be mounting pressure, especially from the US, to reduce the 32,000 Nato-led troops

based in the country. The Radicals and their allies said in a statement they suspected the OSCE would manipulate the

Mr Poplasen also accused the OSCE of threatening to strike him off the list of candidates for allegedly breaking the 24-hour period of pre-

electoral silence. The OSCE denied the results would be fixed. "We've created such a system that even if we wanted to it would be very difficult," a spokesman said. Final results will not be

week at the earliest.

protests

defled government warnings that he faces prosecution for on his supporters to stage national protests today.

Parliament met to consider lifting Mr Berisha's immunity from prosecution possibly for several days. deliver the most serious The prime minister, Fatos Nano, has accused Mr Berisha of trying to overthrow the Socialist-led government by inciting his armed supporters to attack official buildings. Seven people were killed in two days of violence and looting

this week. Mr Berisha denied there had been a coup attempt and called the government's moves to prosecute him "an act of madness and real

national betrayal". Tirana was calm yesterday. Western diplomats said Mr Nano and the police had established their authority resolved through arresting Mr Berisha or negotiating

with him. Opposition started attacking Mr Nano's offices on Sunday in anger at the killing by unknown gunmen of Azem Hajdari, a lead-

Democratic party. Today's rallies will be a test of Mr Berisha's ability to mobilise people across Albania. This week's protests attracted scant support in Tirana.

Mr Berisha said yesterday his followers - who helped to end Albania's communist regime in the early 1990s would oust the "dictatorship of the terrorists", meaning

Mr Nano. The crisis has raised fears of nationwide unrest reminiscent of the months of anarchy that struck Albania lapse of pyramid investment schemes that cost many people their life savings.

Mr Berisha was president during the pyramid investment crisis and elections in its aftermath led to his removal from power and the rise of Mr Nano's former communists in the Socialist

Mr Berisha has not only been tapping the outrage over Hajdari's killing, but also widespread disappointment with the government's inability to revive the econknown until the end of this omy and restore confidence

Germany's free marketeers fight for political survival

With just over a week to go to federal elections, the FDP is undeterred by a setback in Bavaria, writes Ralph Atkins



an Germany's small Free Democrat party snatch victory from the jaws of defeat - not just for itself but for Chancellor Hel-

Little more than a week before the general election, the fortunes of the marketoriented junior partner in Bonn's ruling coalition have sunk to a new low. State elections in Bavaria on Sunday saw the FDP's share of the vote fall from 2.8 per cent in 1994 to 1.7 per cent.

"The FDP practically disappeared in Bavaria - and at the very least that is a pointer about the future of the Kohl government," says Oskar Lafontaine, chairman of the Social Democratic party (SPD), which looks set to become the biggest party in parliament after September 27's federal contest.

The Bavarian result raised the possibility of the FDP

cent threshold set to exclude extremists from the Bundestag, the lower house of parliament. Without the FDP, Mr Kohl would have no chance of rebuilding his gov-

erroment But under the country's sometimes perverse electoral system, the FDP, the nearest Germany gets to a US-style free-market liberal move-

ment, is far from written-off. Hans-Jürgen Beerfeltz, the party's campaign manager, says the party will build on the broader message from the Bavarian result - that the outcome of the federal election is still undecided. While the FDP fared disastrously, the SPD hardly triumphed, slipping from 30 per cent of votes cast to 28.7 per cent. Meanwhile, an

> Democrat Union "That the [federal] race is once more open is a crucial advantage for us," says Mr

Beerfeltz. "We are needed

party - Mr Kohl's Christian

failing to reach the 5 per more than we were before ... If the government has a chance, it has only a chance with us."

The FDP hopes to exploit the system which gives electors two votes each. The first is for constituency MPs. among whom the FDP has little hope of representation. But the second vote is for a party and determines the overall composition of the

The FDP believes it can persuade sufficient supporters of Mr Kohl's coalition, or those who simply believe free-market rightwingers should have a voice, to exercise their second vote in the FDP's favour.

That could be fertile territory. An Allensbach poll in yesterday's Frankfurter Allincreased vote for Bavaria's 27 per cent of the population Christian Social Union has agreeing with the statement: lifted the spirits of its sister "We need the FDP."

To underline the message the FDP has launched a DMim (\$600,000) advertising campaign for the last week of the contest, portraying itself as essential for heading focus on," says Mr Beerfeltz. remains largely marginal-



On the campaign trait: FDP leaders (from left) Guido Westerwelle, Wolfgang Gerhardt and Klaus Kinkel

off a "red-green" government pacifist Green party.

The party is also playing on fears that the SPD's chancellor-candidate. Gerhard Schröder, would have to rely on support from the Party of Democratic Socialism (PDS). successor to East Germany's

communists. "What will be passing through voters' heads is whether you can really trust Schröder as head of a redgreen government. Should this country depend in the future on the PDS..? That is what the campaign has to

It is all a bit demeaning. The FDP is having to run a tight campaign after its budget was slashed to DM6m from DM20m in 1994 due

largely to a cut in state fund-At the same time Free Democrat policies - including radical tax cuts and curbing the role of the state have been pushed into the background. Although the FDP has served as a freemarket conscience in Mr Kohl's government, helping, for instance, to create one of

ised in German political

Part of the problem is internal: for much of the past year the party has been dogged by internal policy disputes. Wolfgang Ger-hardt, chairman, and Guido Westerwelle, general-secrefocusing too much on economic themes at the expense

of social issues. With opinion polls showing the FDP hovering only just above the 5 per cent level, such debates have had the world's most liberal teleto be put off until after the communications markets, it election. The task now is

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Poland, Hungary, Czech Republic, Slovakia and Malaysia are among the largest and fastest growing. Sometimes it's not what you know, but who. In our case, it's both.

Regional power games played out on border between Afghanistan and Iran

Moderates in Tehran are hoping that the sabre-rattling will not lead to war with Taliban militia, writes Mark Huband

fghanistan's Taliban give its armed forces could militia threatened yesterday to attack Iranian cities if the diplomatic crisis which has led to a massive military build up along their common border leads to armed conflict.

issued the threat in response to a call by Ayatollah Ali Khamenei, Iran's supreme leader, for the armed forces to be placed on alert following the murder by Taliban forces of seven Iranian diplomats and an Iranian journalist in Afghanistan.

"Iran must know that if the soil of Afghanistan is attacked, we will target Iranian cities and the entire responsibility will rest with Iranian authorities." Wakil Ahmed, a Taliban spokes-

The Taliban says it has deployed 25,000 troops along the border. Iran is sending up to 200,000 troops to the area in advance of military manoeuvres scheduled to start on September 23.

 However, Iran's moderates have pushed for a military conflict to be avoided as have no plans for military of what the implications would be for central Asia. Iran and Pakistan.

Central to their concerns

result in a resurgence in the power of conservative politicians and military officers. Former conservative stalwarts of the regime have been sidelined since the moderate President A Taliban spokesman Mohammed Khatami's dramatic election victory last

> One sign of a possible conservative backlash emerged yesterday when a leading pro-Khatami newspaper, Tuz, was banned, hours after the conservative Ayatollah Khamenei accused some Iranian newspapers of apparently bolstering the Taliban

However, all sides of the Iranian political leadership have adopted a cautious approach to the crisis. "All the Iranian government statements have been carefully worded. None of them has declared a readiness to go to war with Afghanistan." said Konstantin Shuvalov,

"I have practically no signs have begun to emerge action involving crossing their border with Afghanistan. The Iranians would prefer to act politically. They have other possibilities, as it is the fact that the leading is an international issue, and



However, the Taliban's anti-Iranian propaganda and the militia's claim to having created an Islamic state that overshadows its neighbour's own 19-vear-old Islamic republic, goes to the heart of

The Taliban represent a religious challenge to the religious state of Iran," said a western diplomat in Tehran. "Iran's is not a confident government, and the hardliners will need to be kept happy.

"But there is less distance between Khamenei, Khatami and [former president Hashemil Rafsanjani in private than in public. I think they will find a get-out. But it will have to consist of pretty hardline international action doubts that the Iranians directed against Taliban. That would go some way towards solving the crisis, if Iran were to be seen, by its own population] as being taken seriously," he said. But if international action

to moderate the Taliban and

force it to accept UN resolu-

tions calling for a ceasefire, the respect of minority rights and the creation of a broad-based government, is to have worsened regional to have any chance of success, much depends on Pakistan. But diplomats

regional experts believe increasingly that Pakistan, which created the Taliban in 1994 with Saudi Arabian finance, will soon find its protégé refusing to heed its demands.

If the IIN cannot force the Taliban to apologise for the halt the military campaign which now threatens Afghan Shia Moslems - for whom Shia Iran feels responsible -Tehran will find it difficult to ignore the Taliban chal-And if they were to go to

conflict that could quickly become a bloody quagmire. Moreover, the regional tan support the Taliban.

stered the (((former government of President Burhanuddin Rabbani, appears merely stability.

The US would also come in for heightened criticism if there is a war.

"The US made the error of not really caring what two of its allies - Pakistan and Saudi Arabla - were doing.' said one European diplomat in Tehran. As a result the Iranians are even more convinced that the US is content to see instability in the region if it undermines Iran. But even as the Taliban's

backers find their strategy unravelling, the US will find it difficult to extricate itself from its obligations to Pakistan. Such a move would mean deserting its long-time ally and accelerating US-irawar, Pakistan would be held nian reproachment with the partially responsible for a sim of bolstering Iranian-led opposition to the Taliban.

But war could force the issue. And if the US did power play which saw Pakis- change sides, choosing to sublimating its Islamic rebuild its shattered relationship with a resurgent

Iran, it would bolster the central Asian republics of Uzbekistan, Tajikistan and Turkmenistan in their efforts to halt the spread of Taliban influence.

"The very presence of a force like the Taliban on the border of the central Asian republics, is a destabilisme factor for them and their very existence as states is jeopardised," said Mr Shuva-

The bolstering of the moderate Khatami government in Iran is also vital to Rus sia's strategy, as Russia fears the influence of Saudi-backed Wahhabi Islamist missionaries in the North Caucausus. Dagestan and within the Russian federa

"Russian weakness is worry to Iran, because it wants Russia to have a balancing influence with the US," said a western diplomat in Tehran. "So, Iran has been playing by the rules, agenda in favour of closer

Developing countries are

being beloed by a multilat-

eral fund-set up under the

Montreal protocol, which

NEWS DIGEST

UN PANEL ON ALGERIA

Report pleases Algiers but angers Amnesty

The Algerian government yesterday expressed satisfaction with the conclusions of a United Nations panel report, and rejoiced in the dissatisfaction of human rights organisations. The report on the July visit of a panel led by Mario Soares, the former Portuguese president, called for sup-porting the Algerian government's anti-terrorism struggle. It also urged the authorities to reinforce civilian government and accelerate privatisation as well as quickly address complaints of arbitrary detentions, extra judicial execution and disappearances.

Amnesty International yesterday criticised the report as a whitewash" and said it blatantly failed to address key issues in the human rights crisis. Maintaining its calls for investigations by independent human rights experts, the London-based organisation said the UN panel report had a tendency to report the government's analysis of "terrorism" and gloss over violations by government forces, which undermines its credibility. Roula Khalaf, London

MILLENNIUM BUG

Warning to insurers

Some oil and gas operators still have no millennium bug compliance programme in place and insurers should be wary of giving them cover, an industry conference was told yesterday. James Miller, chief engineer at the energy division of insurer AIG Europe, told the International Union of Marine Insurance conference in Lisbon: "Some companies appear to have no programme whatsoever, others have indicated that they intend to implement superficial fixes such as trying to switch back all their computer clocks by 20 years. These companies should be of concem to insurers," he said.

Mr Miller said the sector was vulnerable to extensive damage from the millennium bug - the problem caused because computer date systems are unable to recognise the year 2000. Gas detection systems, control valves, fire pumps and monitoring equipment all rely heavily on embedded computer chips which could suffer from the bug if undetected, he said. "What might have been a very small or non-existent claim could be magnified into a claim worth ten of millions of dollars, and realisation for these companies may come too late," he said.

WEST BANK CASINO

Hamas expresses disapproval

Hamas, the Islamic Resistance Movement, said yesterday that a new casino in the West Bank would put people "on the path of the devil" and criticised the Palestinian Authority for allowing it to operate. Hamas, whose armed wing has killed scores of Israelis in sulcide attacks, said the Oasis Casino in Jericho - the first on Palestinian; self-rule territory - would serve "Zionists" and the rich.

Islam prohibits gambling and the consumption of alcohol, which flowed freely at an invitation-only opening of the glitzy, security-ringed complex on Tuesday night. The Austrian-run casino, across the road from a Palestinian refugee camp, opened to the public yesterday. Reuters, Jerusalem

Poorer nations hold key to saving ozone layer

The fate of the world's protective ozone layer tion and air-conditioning depends mainly on the systems, while halons are actions of developing countries and Russia, the United Nations Environment Programme (Unep) says in a report released yesterday.

These countries account for 80 per cent of production of chlorofluorocarbons (CFCs), the most prevalent ozone-eating chemical, and

100 per cent of halon production, Unep says. CFCs are used primarily in refrigerawidely used in fire extin-

Measures by industrialised countries to end production of CFCs, halons and some other ozonedepleting chemicals by 1996 have already had an

atmosphere, the report says. Environmental experts expect the ozone layer, which shields the earth from damaging solar radiation, to be at its thinnest in the next few years and then to recover slowly to more levels by the normal

middle of the next century. However, Unep cautions that this will happen only if impact in reducing their developing countries and concentrations in the Russia play their part, for

quate financial help to make and another ozone-gobbler, the switch to ozone-friendly technologies.

The Montreal protocol on ozone-depleting chemicals, adopted 11 years ago yesterday, gave poorer nations a grace period before they had to comply with controls on ozone-eating substances.

As from next July, however, developing countries will have first to freeze and

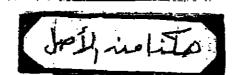
which they will need ade- production of CFCs, halons Global Environment Facility which has already disbursed carbon tetrachloride. \$111m to 11 countries.

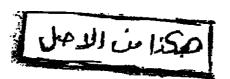
> Meanwhile, Russia and other former communist countries, which failed to meet the timetable set for industrialised nations, have pledged to cease production by 2000 and clamp down on illegal exports of CFCs to the

developing world. They are receiving assistance from the World Bank will be negotiated in late then to phase out by 2010 all and the UN/World Bank

has so far given \$760m to more than 100 developing countries to cut their CFC consumption by half. Replemishment of the fund for the three years 2000-02

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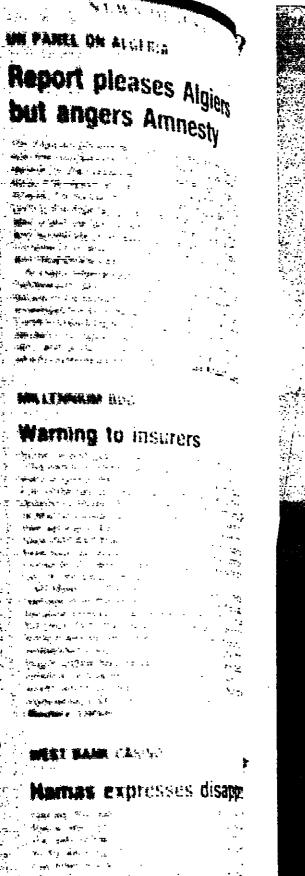
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FINANCIAL SCANDAL SUPPLIER ALLEGED TO HAVE NEGOTIATED REDUCED PAY-BACK IN EXCHANGE FOR OFFERING JOBS TO RETIRED BUREAUCRATS Top Japanese defence official faces dismissal

By Michiyo Nakamoto in Tokyo

Japan's top defence agency bureaucrat will be sacked in the wake of a financial scandal that has hurt the reputation of the agency and of leading Japanese companies which supply it with equip-

Gillian Tett on why

a rebel prefecture is

a threat to hopes

stimulus packages

n Japan's cyberspace this

autumn an unusual hint of

rebellion has emerged. For

with the economy slumping.

Kanagawa, a large prefec-

ture, posted a statement on

the internet this week warn-

ing that it would be forced to

cut spending because of a

recession has given a severe

blow to the prefecture's finances." the appeal

declares on the Kanagawa

home page. "The situation

now is extreme...We have

The timing is no accident.

For Kanagawa's move comes

as Japan's central govern-

ment is trying to force local

government bodies to

increase - rather than cut -

spending on public infra-

structure. The step by Kana-

gawa, which includes the

wealthy city of Yokohama,

appears designed to be a pre-

emptive political gesture to

fend off central government

It is not yet clear whether

revolt, but if dozens of other

to cut costs for projects."

"The prolonged period of

mounting financial crisis.

for a series of

widening scandal at the trust and destruction of docevidence. Mr Akiyama has ness to take responsibility for his department's failures.

further damaged public trust Masahiro Akiyama, admin- in the Japanese bureauistrative vice-minister, will cracy, highlights the collube dismissed from his post sive relationship between once prosecutors complete bureaucrats and business in

Japan must urgently revise

public spending projects to give greater priority to urban

areas, a leading Japanese

The government should

Infrastructure, which has

target large cities such as

Tokyo, says Minoru Mori,

one of Japan's largest

president of Mori Buildings.

blow to domestic demand.

would also potentially rob

the government of one of its

few remaining policy tools to

boost growth - increases in

public spending via the

so-called "stimulus" pack-

The issue is particularly

critical because local govern-

ment in Japan has imple-

mented about three-quarters

of the Y75,000bn (\$565bn) in

"stimulus packages" that

Japan has introduced since

these projects - and their

into two categories: some are

All Fatures, Options 🦟

& Magined Forex

The system for designing

More alarmingly, they

reduce its spending on rural

limited value in boosting the

Gillian Tett writes from

its system for allocating

Prosecutors believe the agency involving breach of defence agency's procurement division allowed Toyo uments that could serve as Communications Equipment, a subsidiary of NEC, already indicated his willing- the electronics company, to slash from Y2.56bn (\$19.2m) to Y874m (\$6.6m) the amount The scandal, which has it was to pay back to the agency after an investigation revealed Toyo had over-

charged it for supplies. In

exchange. Toyo allegedly

agreed to hire officials from

Spending switch urged from rural areas to cities

construction companies.

efficient type of public

sits on the Economic

Strategy Council, which

policy. "Electorally, the

has been bent to favour

local cities more than blg

cities." The distortion has

left Tokyo in a situation of

The comments reflect a

simply to implement the

spending; others are

designed according to a cen-

tral plan but are partly

financed by local authorities

themselves through local tax

Earlier this year the gov-

ernment announced a new

Y16,700bn package, contain-

ing some Y7,700bn worth of

new public spending, of

which at least Y1,500bn is

"independently" financed by

Though the package

started in April there has

been little evidence of any

effect. In July construction-

orders were 14 per cent

down on a year-on-year

basis. Public works contracts

actually fell 7.3 per cent

between April and July.

local government.

receipts and bond issues.

steady decline".

advises the government on

Japanese political structure

spending, and that means

focusing more on the urban

says Mr Mori, who

"We have to have a more

Local authorities shy at taking on extra

debt to help give a boost to economy

first erupted, and earlier this month when prosecutors first raided the agency. Mr Akiyama, who joined the defence agency from the finance ministry, was the

highest ranking bureaucrat

growing campaign among

senior bureaucrats to

reshape the way Japan

focused on rural areas,

of the ruling Liberal

some business leaders and

allocates its public spending.

This has traditionally been

which are strong supporters

Democratic party. However,

research by the Organisation

for Economic Co-operation

and Development (OECD)

has shown that many rural

economic impact than urban

insists this simply repre-

sents a timelag and points

out that the central-funded

part of the stimulus package

will come into effect during

However, some economists

suspect that the real prob-

lem is that local authorities

are increasingly unwilling to

spend additional funds.

given that earlier stimulus

packages bave left their debt

For although no other

local government body has

quite taken Kanagawa's step

yet, several, including Tokyo

and Osaka, have recently

told the central government

that they are reluctant to

"A deterioration in local

government finances is

largely responsible for the

the autumn.

levels spiralling.

start new projects.

projects have much less

tor's office believes agency

officials systematically

destroyed documents at the

instruction of senior officials

several times between last

autumn, when the scandal

dence occurred. Prosecutors have raided

arrested nine people in connection with the scandal. unprecedented move, prosecutors also questioned about the alleged destruction

of related documents.

New construction orders (annual % change

Tetsufumi Yamakawa, econ-

Kanagawa, for example,

expects to have a Y220bn

deficit next year because of a

recent sharp fall in corporate

tax receipts. Though Kana-

gawa has fewer financial

reserves to cushion the blow

tures, its problem is wide-

ment debt stood at

Y103,300bn, or 191 per cent of

local government tax reve-

nue. Since then, the situa-

tion is believed to have

become much worse, though

Nonetheless, many observ-

ers still suspect that local

government will eventually

fall into line with most cen-

The ministry, after all,

still has considerable lever-

tral government plans.

figures are not available.

In 1996 total local govern-

spread

than many other prefec- Kanagawa do not wish to

omist at Goldman Sachs.

nese government, which is under pressure to review the missile was carrying a the agency twice and have security in the wake of a satellite that falled to reach North Korean missile launch orbit, but Japan is taking over Japanese territory last seriously the fact that including former defence month. The decision to punagency officials and execu- ish Mr Akiyama reflects to strike at Japanese soil. tives at Toyo and NEC. In an growing concern that unless the scandal can be put over the scandal means the behind it, the agency will be defence agency top officials hobbled in its efforts to review Japan's security

arrangements to meet what

is perceived as a higher

Furthermore, the prosecu- alleged destruction of evi- difficult time for the Japa threat from North Korea It has been accepted that Pyongyang has the capacity

Meanwhile, public outrage government is under pressure to take decisive action in punishing those responsible for discipline in the

Suharto to face official probe

By Greg Earl in Jakarts

Investigations corruption in Inden moving closer to the heart of the previous government. with both former resident Suharto and World Bank projects set to face direct examination in the lext few

Mr Andi Mohlmmad Ghalib. the athrneygeneral, said yester ay he would lead a team induding police and financial oficials to question Mr Subaro for the first time since he stood down from office in Mr

At the same time Mr Suharto's son BambandTrihatmodio has been bained from leaving the country. along with more than 100 directors of banks which re under investigation.

The Suharto questioning was ordered by President Habible on Tuesday after

Mr Bambang, the only Subarto family \ member appearing in public these days, has been strongly defending himself saying his money is in lidonesia and he has suffered a severe loss like everybody ese.

While there is widespread community scepticish that the new government will seriously move against corruption when many of its key officials come from the Suharto government, the new World Bank investigation could open some doors for investigators

and independent investigaallegations that it turned a blind eye to corrupt use of its funds in Indonesia, which was once its model develor ing country borrower.

The pressures on Presi dent Habible to prove his reformist credentials have intensified with co-ordinated student and worker demonstrations in many parts of the country this week culminating in a foiled attempt to march on the Jakarta military headquarters vester-

day. At the same time the tensions in the broader community were underlined in an eastern Sumatra town, where rumors that an ethnic Chinese Indonesian had killed a *pribumi* (native) in a road accident resulting in

wide-ranging destruction. It was reported that 300 troops had been sent to the town after the traffic dispute houses and shops being

arter grove trade des

faced a new wave of stude protests demanding his re ignation because he was fai ing seriously to investigate corruption in the old regime of which he was one of the longest serving ministers. The justice minister, Professor Muladi, one of the government's more aggres sive reformers, said there

was no longer any excuse to delay investigating the Suharto family directly to discover the source of its

The police have been questioning a wide range of influential figures from the Suharto era in the past month, but Mr Ghalib drew widespread criticism when he appeared to accept without question last week a televised denial by Mr Suharto that he had assets outside the country.

worse, tax receipts will keep falling and so there will be more protest," says one Though this prospect is prompting alarm in the min-

istry, it may also - perversely - provide some outside investors with a new reason for hope. "I take [Kanagawa's action] as a very good sign," argues Brian Rose, economist at Warburg Dillon Read. "What it means is that there is pressure finally building for reform. The situation cannot

For in addition to raising spending, the ruling Liberal Democratic party hopes to cut local corporate taxes next spring, which could further reduce local government revenues. Indeed, some bureaucrats suspect that it was the tax issue, above all. that prompted Kanagawa's statement. "If the economy gets

area of revolt - tax reform.

As Eisuke Sakakibara. Japan's vice minister of finance for international affairs, put it: "Central government will use every type of arm-twisting and leverage" to make sure local government bodies spend the

stimulus package. But even if this does eventually deliver the spending. it may be a temporary victory. For with Japan's budget deficit ballooning, credit rating agencies such as Moody's are already warning that local government debt levels are unsustainable in

delays in public works," says threat of liberalising the already another looming

are forced to issue their

bonds at the same interest

rate. But liberalisation

would potentially punish

weaker authorities by push-

ing up their borrowing costs.

It is a step that such areas as

At present all prefectures

regional bond market

age over repellious local authorities, since it decides subsidy levels. It also has the long term. another implicit weapons the In the short term, there is Pakistan balks at test ban treaty under sanctions

Pakistan said yesterday that arrived in Islamabad early it would not sign the Com- yesterday to lead the IMF understanding over the prehensive Test Ban Treaty while suffering economic administration of Nawaz ogy from countries urging sanctions for conducting Sharif, the prime minister. The joint sitting of the nuclear weapons tests in May, Reuters reports from national assembly and Sen-

Islamahad and Madras Sartai Aziz, the Pakistani whether Pakistan should foreign minister, told parlia- sign the CTBT, which bans ment in Islamabad that the economic sanctions were "unwarranted and unjustified" and demanded that they be lifted immediately.

He was speaking as Pakistan began formal negotiations with a team from the International Monetary India into the nuclear arms Fund on resuming a suspended \$1.56bn structural adjustment loan and a possible new balance-of-payments support package.

By Sheila McHulty in Kajang

ad's government.

team in talks with the transfer of nuclear technol-

ate was called to discuss nuclear tests, to get economic sanctions lifted. The government says the sanctions may force the country to declare a moratorium on its \$30bn debt.

The US, which has led efforts to draw Pakistan and control regime, was the first ers agreed only to sell country to impose sanctions because of nuclear weapon tests carried out in response

ARREST THREAT EX-MINISTER JOINS MALAYSIAN OPPOSITION RALLY

New Delhi to sign the test

Atal Behari Vajpayee, Indian prime minister, said in Madras: "I know the treaty is not going to be amended, but certain other arrangements could be made which will facilitate our work... particularly regarding transfer of high technol-

Under a 1992 Nuclear Suppliers Group accord, recognised nuclear states and othreactor technology to countries that permit international inspections. That in effect ruled out countries developing nuclear arms. such as India.

resulted in hundreds of

to earlier tests by neighbour-Antonio Furtado, IMF ing India, which also had chief for the Middle East, sanctions imposed.

Anwar tries to widen support base

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Kanagawa's move heralds a funding - is fiendishly com-

much broader regional plex. But broadly they fall

prefectures also reduce funded and planned by cen-

spending, the ensuing cut- tral-government, and thus

backs could deliver a new require the local authorities

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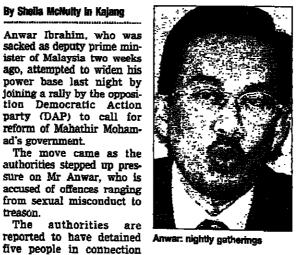
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Anwar: nightly gatherings

with the allegations, most of for becoming Dr Mahathir's them in recent days. only serious political rival. Mr Anwar said they also This past weekend Mr threatened to arrest him if Anwar took his call for he persisted in staging pubreform to outlying states. lic gatherings without a per-Last night Mr Anwar drove with his wife and Mr Anwar has been speakdaughters to the town of ing to thousands who gather Kajang, where DAP memnightly outside his home. bers are staging a hunger He denies all charges and strike to protest against the insists he is being targeted jail sentence imposed on

their deputy secretarygeneral, Lim Guan Eng. Mr Lim is serving two concurrent sentences of 18 months in jail for sedition and publishing false news. jail since August, when the Federal Court dismissed his

His supporters have started a signature campaign calling for a pardon. "We want to promote jus-

tice," said hunger-striker Hew Kuan Yau. Hundreds of Malaysians of all three main Indian - had gathered for

More than a year's impris-Lim from parliament, where he has sat for 12 years.

Mr Lim says the authoricriticise them for not detainpolitician alleged to have to Dr Mahathir. committed the statutory rape of a 15-year-old schoolthe girl. The authorities

cited insufficient evidence to prosecute the politician Mr Anwar and his wife, Wan Azizah Wan Ismail. signed the petition to pardon Mr Lim. They greeted the He has been in the Kajang hunger strikels. And then all since August, when the Mr Lim's father - parliamentary opposition leader and DAP head - Lim Kit Siang welcomed them on a platform for a joint call for

reform. "We have common object tives," the elder Mr Lim said. "We will co-perate to promote justice, democracy, races - Malay, Chinese and freedom and gool governance."

Mr Anwar has drawn tens of thousands to hear his call onment will disqualify Mr for reform. But they are mostly of his Malay ethnic group and his co-operation with the mostly Chinese ties challenged his right to DAP broadens his support base, as he must de to ing, still less prosecuting, a mount a serious opposition

"It must be a multiratial effort," Mr Anwar sad. girl. Instead, they detained "Otherwise, we will lot

Commodity price falls hit poor nations

Steep alls in commodity prices are expected to cut recently met their raw matesome eveloping countries' rials needs out of existing exportearnings by as much as a fuarter this year and sharpy reduce their economic output, according to nited Nations Conferencepn Trade and Develop-

Urtad's annual Trade and Devlopment report blames mun of the weakness on the ecdomic crisis in Asia, in substituting for imports which had until recently or in becoming big exporters ben the fastest growing maket for agricultural and ofer primary commodities eports from Latin America ad Africa.

Unctad says the harshest onomic impact of falling rices will be felt by oilkporting developing coun-Kuwait, Nigeria and Venecuela all face declines of at least a fifth in their export earnings, compared with last year. Their loss of economic output is set to range from 4

Countries which depend heavily on exports such as much longer to correct. copper and wood will also be seriously affected. Export developing countries should earnings of Burma, Chile, be left free to impose capital Mongolia, the Solomon Islands and Zambia are set absence of global mechato fall by at least a tenth, nisms for stabilising capital and their economic output to flows, controls provide an shrink by between 2.5 per cent and 12 per cent.

some recovery in commodi- rencies.

ties demand may be in prospect, because troubled east Asian countries have stockpiles. These will need to be replenished through imports once they are

exhausted. Although the crisis has led some east Asian countries to try to step up domestic out-Dut of certain commodities Unctad says they are unlikely to succeed quickly themselves.

The report is cautious about the outlook for economic recovery by troubled east Asian countries, warning that it will be far slower than Mexico's recovery from its financial and economic

crisis almost four years ago. While Mexico's problems reflected excessive consumption and an over-valued currency, the crisis in east Asian economies was brought on by financial fragility, over-investment and a nesses, which will take

The report argues that controls. It says that in the indispensable defence against speculative However, the report says onslaughts on national cur-

anti-dumping duties on unbleached cotton imports Jacques Chirac. from five developing countries appeared in jeopardy yesterday after a majority of EU states came out against the measures.

The EU's Brussels-based lower duties – in an attempt ing defeat in its second measures - which requires a tile industry.

attempts to impose five-year year despite a personal intervention by French President

investigation, the Commission used its powers in March to impose temporary, six-month, duties on grey goum, abstaining. cotton from six countries executive is now thought China, Egypt, India, Indonlikely to produce new pro- esia, Pakistan and Turkey posals - probably including in March. This summer it tions handled by the Com- target countries told Sir proposed converting these to avoid a highly embarrass- into definitive, five-year states and the European tex-

But officials of the 15 EU including France and Italy, prices; states at an advisory committee the commercial questions. Textile finishers, who re After a new dumping tions group, voted 8-6 on unbleached cotton as a against the latest Commis- raw material, countries sion plans yesterday in Brussels, with one country. Bel-

> controversial and heavily lobbied dumping investigamission, has split both EU

The case, one of the most

Textile finishers, who rely including the UK and Germany, and the five cotton exporting countries are fiercely resisting the mea-

Representatives of the five Leon Brittan, EU trade com-missioner, on Monday, that on the unbleached cotton Leon Brittan, EU trade comthey were not prepared to trade. Eurocoton, the textile accept compromise proposals

Price undertakings are dumping duties, since the proceeds from the higher as EU duties. But the exporting coun-

tries vigorously deny selling below cost, and say thousands of jobs, often in small,

India has complained to the issue by October 9.

in less than two years. Simi
Commission by EU foreign ministers last

against Turkey.

weavers' association which involving undertakings from the World Trade Organisation which involving undertaking from the World Trade Organ

EU states' officials in July seen as less severe than came out 7-6 against the Commission proposals, with both Luxembourg and Belprices go back to the export- gium abstaining. But Lux-ets, eather-than being paid embourg joined the opponents yesterday, forming a simple majority against the measures for the first time.

The Commission must now try to win over EU ambassadors to its case later this month, with ministers due to take a final vote on

Former New Zealand PM joins WTO

nominated a former prime minister, Mike Moore, as third official candidate to Italy as director-general of the World Trade Organisa-

Canadian trade minister, and Supachai Panitchpakdi, Thailand's deputy prime thrown their hats into the nominations are expected.

Moroccan trade minister. pushed back from October 1 October 4 to decide whether

ring, while Morocco is expected shortly to nominate Hastern of office comes to an peans have held the top Mr. Lampreia may st New Zealand yesterday san Abouyoub, former end next April though he trade job since the WTO's from US disapproval of Bra- France will also be keen to has indicated a willingness WTO officials yesterday to step aside earlier if his said the closing date for successor is ready to take succeed Renato Ruggiero of nominations had been over. The WTO's general to October 12 to give November for selection of a don. Brazil time after its new director-general, which Roy MacLaren, former presidential election on must be by consensus.

to nominate Felipe Luiz Ruggiero's appointment, unknown preferences of the Lampreia, the current which was only reluctantly

predecessor, Gatt, was cre- zil's trade policies, as well as

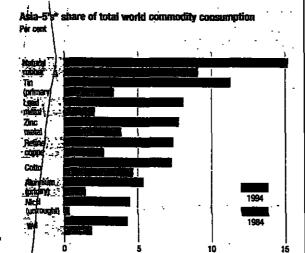
ated in 1948. With three-quarters of the WTO's membership now council has set the end of from the developing world there is also pressure for this and Development (Unctad). to be reflected in the choice. of leader. However, regional Under the terms of Mr rivalries and the as yet-US and European Union, the minister, have already foreign minister. No other accepted by the US, his suc-world's biggest traders, cessor must be from a non- make it hard to discern one

Mr. Lampreia may suffer zilian, Rubens Ricupero, at the head of the United Nations Conference on Trade the WTO's neighbour in

Mr Abouyoub can be expected to pick up the votes of African countries, and Morocco's close ties with the EU suggest his candidacy

sideration by Brussels. ensure a francophone such the presence of another Bra- as Mr Abouyoub in the job. Mr Supachai, a former banker and current holder of backing, including that of Japan. Mr Moore's and Mr MacLaren's regional platforms are more difficult to identify but both will be hoping for broadly based sup-

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Barter grows as trade deals hit problems

Just as Russians are turning more to barter to survive, so are US companies with undelivered goods once intended for Asia and Russia, according to executives at Atwood Richards, which says it is the world's largest counter-

executive, said his company was picking over proposals that had come through the office because US suppliers found their Russian and Asian customers could not

pay for contracted goods. US companies were searching to off-oad food. clothing and consumer elec-tronics all beaded for Russia. he said. "So many offers have come through that are attractive. But sometimes it just doesn't work because we can't get good enough value when we re-parket it."

Over the past year, many companies have turned to barter to dispose of cancelled capital equipment orders from Asia Atwood some-times look for production capacity in countries in recession and asks faltering factories o make products it will trad elsewhere.

Barte practices have over the past change When companies turn of unsold products to Atword, they receive trade credit! The credits can be used to obtain other products and services Atwood has cquired - everything fron hotel rooms and airline ticks to television advertisinglime, forklift trucks, carpeng, pulp, envelopes, steel

The company estimates at 300,000 companies will gage in some form of burthis year, including Foral Motors. Caterpillar and pay more.

can companies are likely to barter an estimated \$7.5bn worth of goods and services this year, an 8 per cent increase over last year. Clothing, food and sportsrelated products are among the most popularly traded

trade company. Atwood's executives are Richard Warino, a senior loath to discuss deals. They say they do not want to give anything away to competitors. But they talk in general terms about recent deals like the shipload of shoes intended for a Russian cus tomer. These are to be sold

or traded in another market, One Japanese company was unable to pay for \$500,000 worth of frozen chicken parts, said Mr Warino. Atwood bought the poultry and plans to market it through other channels in

Japan or in eastern Europe. With offices in 30 countries. Atwood's reach is global. A typical deal was worked with IBM Mexico. which was ordered to rid itself of unsold computers to make way for a new line. Atwood bought the entire stock - 2,62? computers valued at \$1.7m - and sold them to two clients, one in Mexico and the other in the

IBM used its trade credits for a variety of purchases, including 120 Volkswagen vehicles, and trucking and express mall services.

Sherwin Williams traded \$3m worth of its paint to Atwood, which re-marketed in Russia, before its financial crisis worsened. Sherwin catings or satellite tracking used its credits to obtain propellant and paint cans.

"We buy people's problems," said Bill Levitz, executive vice president. "They don't want to sell for half une 500 companies such as the value. We make money eneral Electric, Pepsi, Gen- by finding buyers who will



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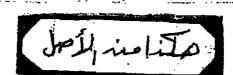
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US industry Detroit tries to find a new surges after **GM** strike

US industrial production surged by 1.7 per cent during August, as the distortion in the market brought on by the end of the General Motors strike created the biggest gain in more than 14

Figures from the Federal Reserve Board showed higher production at American factories - compared with the previous month than had been expected by analysts, who had predicted a 1 per cent rise.

The jump in output in August comes after drops of 0.4 per cent in July and 1.1 per cent in June as strikes at General Motors car plants led to the laying off of hundreds of thousands of

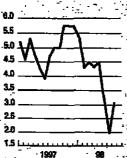
However, apart from production of cars and vehicle parts, factory production was up a much more modest 0.1 per cent in August, less than the 0.2 per cent July gain, the Federal Reserve

The Fed report said that production of new cars and trucks, which had dropped to a seasonally adjusted annual rate of just 8.2m units in July, jumped to an annual rate of 18.2m units in August as General Motors sought to replenish stocks depleted by the strike.

A 63.5 per cent gain in car and light truck production, a 2 per cent rise in business equipment output and a 3.8 per cent increase in durable goods suggested that the American economy retains some vibrancy.

Jerry Jasinowski, president of the National Association of Manufacturers, said the industrial production data presented "a mixed pornot much higher than it was

However, he said that the report "points to a healthy but not a particularly robust Non-durable industries -



textiles - showed "considerable slack, which may be due to continued surplus of inventories." he said.

However, output of comuters, office equipment and household appliances was "quite robust", mostly because of lower interest rates that were encouraging more home-buying.

Commerce Department said business inventories were unchanged in July for the third month in succession.

The last time this occurred was during the 1991 reces-Ed Yardeni of Deutsche

Bank Securities said the GM strike restrained inventory investment in July. But as vehicle inventories

rebound during the request of the quarter, they could give third quarter growth a

Although stocks were overbuilt during the first six months of this year, the business inventories-to-sales ratio remains near record

lows. Another report contained disquieting signals for contrait" of the US economy. can Bankers' Association Leaving aside the effects of said the delinquency rate on the GM strike, the index is credit card payments had edged up about 0.2 percentage points during the last

This may be another factor weighing on the Fed in considering whether to cut interest rates

way out of its ethnic strife

The 'white flight' after the city's 1967 riots left many stores in the hands of immigrants. Nikki Tait reports on the ensuing problems

income neighbourhoods advertises braids for sale, the kind African-American girls and women like to use to extend their hair. Not surprising in a city where threequarters of the population is African-American.

But while Bronco's might cater to the needs of the local population, neither it nor many of the other local supermarkets and petrol stations is owned by an African-American. Bronco's is owned by Frank Manni, an Iraqi, one of the dozens of Middle Eastern immigrants who have come to coutrol Detroit's smaller retail busi- to neighbourhood children.

This is a point of some tension. For years, residents' groups have claimed that these store owners treat Dealers. "The stores have their communities with disrespect, selling alcohol to minors, hassling customers, neglecting shops, and failing to source from black suppliers. Store owners, many of whom bought properties in

Pronco's Food Mart in flight" after Detroit's 1967 in international dispute resonance of Detroit's lower riots, retort that they face lution, they are trying to income neighbourhoods regular threats and persis- apply those same negotiatent pilfering, particularly from black teenagers.

In the way of American cities, racial tensions have a knack of bubbling over into violence. One estimate suggests that between 1980 and 1993 three dozen store owners or their employees were killed. In the past year alone, another two have died. Even at Bronco's, where

community/owner relations are said to be good, Mr Manni sells pizza and vodka from behind a protective screen, occasionally popping outside to hand ice-creams "It's a big problem in certain parts of the city," says Dan Reeves, deputy director of the Association of Food

developed a fortress mentality - everything is done through bullet-proof glass." But now academics from Detroit's Wayne State University think they have the makings of a solution. Expe-

ting principles to their local

Fred Pearson, director of the Center for Peace & Conflict Studies, says the idea first evolved three years ago work of a Chicago-based community liaison official, who had attempted to smooth relations with some Korean-owned stores.

But a more urgent incentive was then presented by the Rodney King police brutality case in Los Ange which risked inflaming racial passions nationwide. Detroit had been a cinder-box in the past. "We felt we should try and do a prevenenough problems with the '67 riots - we didn't need that again," he comments. So, backed by funds from

practical the Hudson-Webber charitable foundation, Wayne State contacted Toni McIllwan, an energetic African-American woman who was already store, to work with police to black man claimed that the the wave of "white suburban rienced in teaching courses making overtures to store stop drug-dealing near their store owner was threatening

owners in the Ravendale premises, and to publicly him. The customer's without neighbourhood, in east Detroit. Using some of her homed in on the 12th police precinct on the north-west

It took about a year and a good deal of input from stores, residents and community police, before they were able to hammer out a "framework" pledge betwe shop owners and neighbourhood leaders. But once negotiated, the 11-point agreement did look extremely

Merchants, for example, undertook to limit the number of pay phones near each Residents, meanwhile, promemployees and to stop using

dumpsters on store property. Now the plan is to extend the reach to more precincts, effectively covering much of false claims. Neverthele: the city's northern belt. As part of the programme, the Wayne State organisers plan to set up "swat team" of residents - armed with pagers and mobile phones - who could be called upon to inter-

cede if tensions erupt. Ms McIlwain remembers being called in after an incident at Bronco's. A young

post their return policies - had intervened and we in for bottles and merchandise. the process of calling of a had intervened and wa in ised to find potential local sides out of making he quarrel worse.

> work more generally? Per son is anxious not to ma he says crime statistics significantly in the wake the programme's launch.

admits that the initiative will probably be, at best, a partial panacea. "It's very worthwhile - and very frustrating: You've got people on both sides who just don't

Colombia bets on lotteries to fill gap in local finances

Some unconventional measures are being used to raise cash. Adam Thomson reports

t was clear something was lack of funds. wrong when municipal governments in southern Colombia began organising impromptu lotteries to cover

their payroll obligations. One of them last month turned to encouraging people to try their luck in a in interest rates has com competition for cash prizes in a desperate attempt to keep the local administration afloat.

Throughout Colombia. regional governments are having to adopt radical and sometimes unconventional - measures to avoid declaring bankruptcy.

Eighteen regional departments - more than half the total - have fallen behind with their debt servicing payments. Some have declared hankruptcy.

In the north-western department of Choco public salaries in eight months. Rural schools have closed, affecting 60,000 children.

Putumayo department in the south is about to halve its staff as local administration finances sink deeper

into the red. "We are facing total crisis," said Janet Fajardo of the department's financial division. "Our deficit this year alone is 6.4bn pesos (\$4.3m) and we don't have enough money to pay pensions or salaries."

The situation has never been as critical as now," admits Andrés González. governor of Cundinamarca department and president of the National Federation of Departments. Combined local government debt departmental and municipal is now about 5,000bn pesos (\$3.3bn), about 4 per cent of

gross domestic product. In the department of Valle. which contributes more than 15 per cent of GDP and whose capital is Cali. Colombla's second largest city. And while Congress wades total debt is 475bn pesos. The city's main university is process, lotteries can be

Departmental debts have grown in recent years as revenue from local taxes and

national government trans fers has failed to meet local spending requirements. But this year, a sharp rise pounded the local adminis trations' difficulties in keeping up with their debt

servicing obligations. Between February and the final round of the presiden tial elections in June the DTF - the 90-day benchmark rate which banks pay on deposits - increased by 13 percentage points.

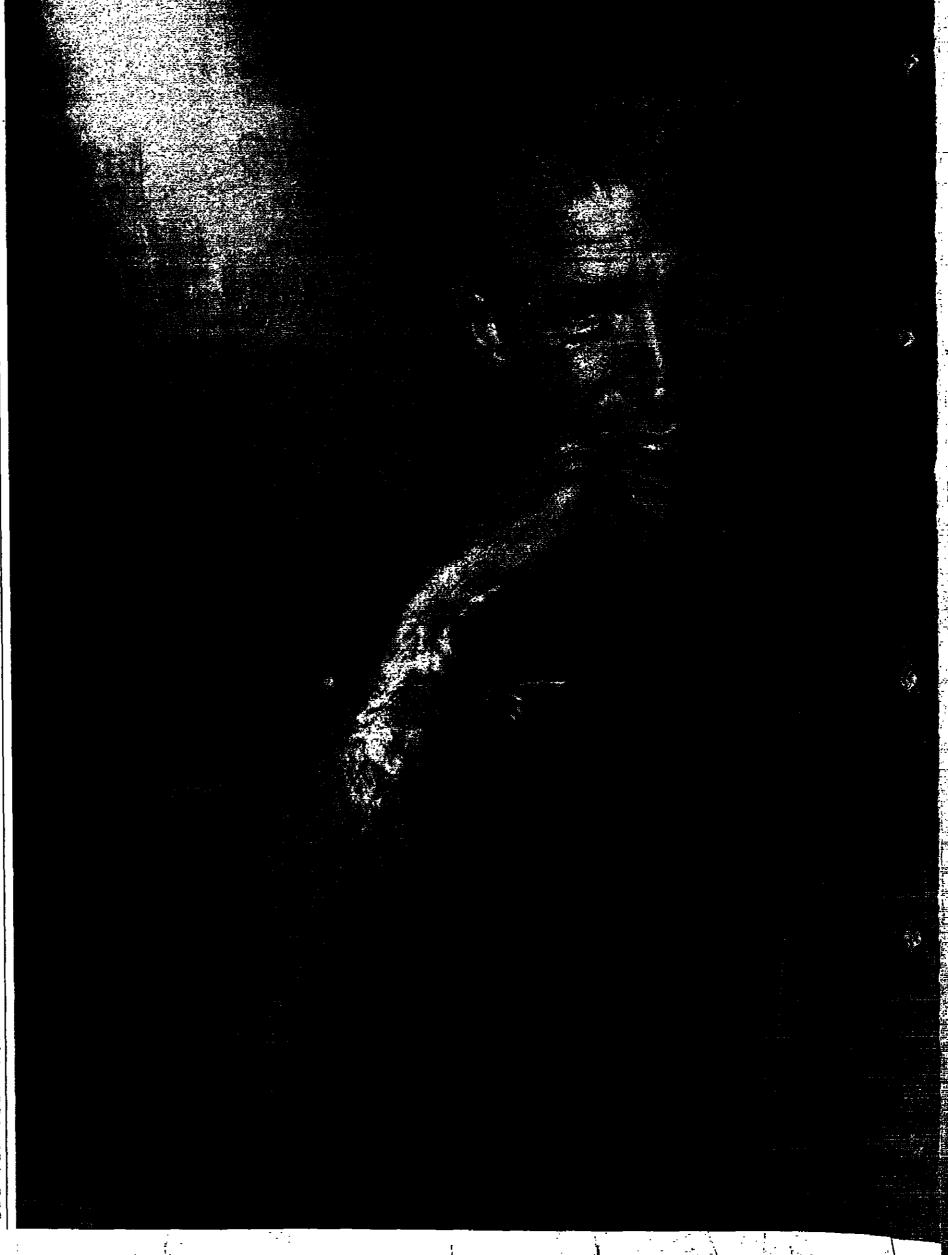
ated income which local governments receive comes sales. Yet in recent years, revenue has suffered at the hands of a growing contraband industry.

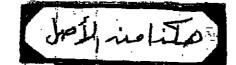
Growing debts have been partly addressed by a tax presented to Congress recently. The package, which aims to cut the overall fiscal deficit - officially estimated at 3.5 per cent of GDP for this year compared with just 0.3 per cent four years ago - to 2 per cent of GDP by next year, contemplates boosting local government's revenue via exten-

sion of value-added tax. The reform would also allow local administrations to place a surcharge of up to 20 per cent on petrol sales. And there are provisions for cracking down on the sale of contraband goods. But Mr Gonzalez says that the combined effect of the proposals if approved by Congress would go only part of the way to alleviating the prob-

Meanwhile, for the worst affected departments such as Choco, the local administration is crumbling.

through the long tax reform on the brink of closing for expected to flourish.





New York faces bruising poll battle Starr report

New Yek faces a bruising election battle for its US Senate set after Democrats voted o nominate a wellfundedcongressman to challenge Alfonse D'Amato, the current senator.

Chales Schumer, the congresman representing Brodlyn, is expected to run an agressive campaign to unsat Mr D'Amato for the hig-profile Senate race. winning a three-way Denocratic primary late on

Tysday.

With a large war chest of sim, Mr Schumer is one of tle Democrats' best hopes of inning a Republican-held enate seat, Mr D'Amato, he chairman of the Senate anking committee, won relection in 1992 by a margin f just one percentage point but has raised \$20m in campaign funds.

Mr Schumer launched his campaign against Mr D'Amato by accusing his cent to Mr Schumer's 51 per rival of being untrustworthy cent - spelt the end of her and having been in Washing- political career, which ton too long. Mr D'Amato's staff dismissed their new of-centre candidate" among the three Democrats vying Mark Green, won 19 per cent for nomination.

Mr Schumer beat a strong



raro, the former candidate for vice-president and CNN television presenter. Ms Ferraro said her defeat - 26 per peaked with her becoming the first woman to be nomiopponent as the "most left- nated for the vice-presidency in 1984. A third candidate.

of the vote. The New York Senate race challenge by Geraldine Fer- was one of a series of prima-

ries in nine states and the district of Columbia, in the run-up to the mid-term general elections in November. Political analysts were scouring the results for evi-

dence of how the Monica Lewinsky scandal was affecting national politics but no clear trend emerged from yesterday's results. In Washington state, a bit-

ter Republican race ended in tion for the House of Reprevictory for Linda Smith, a conservative congress- President John Kennedy and

woman who has championed Tip O'Neill, the former House speaker.

campaign against Patty Murray, the current Democratic Elsewhere, the biggest upset came in Massachusetts where a little-known mayor won the Democratic nominaopponents, is the strong

campaign finance reform.

Ms Smith is keen to make

President Bill Clinton's

affair a central theme of her

Michael Capuano, the mayor of Somerville, beat Ray Flynn, the high-profile former mayor of Boston, and eight other candidates to fight for the Cambridge seat which is being vacated by Joseph Kennedy. Mr Capuano, who ran a grassroots campaign and was heavily outspent by his Democratic

between three sons of famous politicians, was won dent. He beat Ted Mondale, the son of another former vice-president, Walter Mon-

son of former governor Orville Freeman. In the District of Columbia, the beated race for the Democratic candidacy for mayor of the capital city was won by Anthony Williams.

Mr Williams, the former financial controller of the city, is almost certain to replace the outgoing mayor Marion Barry, who is stepping down after four tempes tuous terms which included his conviction on drugs

In the most bizarre election race, voters in Oklahoma finally rejected a dead candidate who had already garnered enough votes to advance from a four-way Democratic primary to a

The late Jacquelyn Ledgerwood, who suffered a heart attack after filing her name as a candidate, lost to Don Carroll, an air conditioning repairman, for a state Senate

The Democratic race for Minnesota governor, run debate likely by Hubert Humphrey, the son of the former vice-president. He beat Ted Mondale,

dale, and Mike Freeman, the

Republican leaders said they expected the House of Representatives to begin its invesmonth, in the first step tion and the president, towards assessing whether which would include ignorthere are grounds to ing constitutional protecimpeach President Bill Clintions and common decency.
ton. "I think they want us to

Hearings into the Starr nesses, are likely to begin reality." soon after the publication of further evidence filed by Kenneth Starr, the independent counsel, in the next two

The House judiciary comrassing video tapes of President Clinton's evidence before a grand jury last month.

Mr Clinton is accused of committing perjury before tapes will prove damaging the grand jury in an attempt to cover-up an 18-month sex- to the wider party in the ual affair with Monica Lew-mid-term concressional elecinsky, the former White tions in November. House intern. The president insists that the affair was technically constitute sexual

relations. The White House fears the video tapes may be misused in political advertisements and satirical television ing" of party support for the shows by being broadcast "out of context".

The tapes are reported to ident engaged in legalistic to his contrite admissions of was delivered to Congress last week. Democratic congressmen

yesterday condemned term of whether or not he Republican plans to release had sexual relations." the video tapes, as the

united, bipartisan manner. Speaking after a meeting public.

yesterday, Charles Rangel, a Democratic representative of New York, said: "I don't think that there is anything at all that would block the tigations into the Starr Republicans' aim and goal to report at the start of next embarrass this administra-

report, including the talking about bipartisanship, cross-examination of wit- do not expect it to become a

But James Rogan, a Republican member of the iudiclary committee, insisted the public needed to see the ident's evidence in the full. "That is why the testimittee today is expected to mony was videotaped - so release potentially embar- that people would not only be able to read a transcript, but also to be able to gauge the president's demeanour," he said.

Democrats fear the video not just to the president, but

Congressmen again urged Mr Clinton to drop his legal "inappropriate" but did not defence against perjury claims and stop quibbling over the sexual nature of his offair with Ms Lewinsky. They fear the scandal is leading to a "haemorrhagpresident within Congress and across the country.

James Moran, a Demoshow an uncomfortable pres- cratic representative of Virginia, said: "I think the presquibbling over the details of ident would help himself a the affair, in stark contrast great deal if he would get off this business of saying one guilt since the Starr report thing in public and having his lawyers do another thing in cou He has got to stop 'his de.....ate deception in

Tublic opinion appears debate over how to handle firmly opposed to the release the Starr report continued to of the video-taped evidence. descend into a bitter parti- A CBS poll published yestersan battle. Congressmen day revealed that 70 per cent from both parties have of those surveyed said the repeatedly pledged to tapes should not be released, agreed with making them

Shareholders to confront YBM board

Shareholders of YBM Magnex International, the controversial magnet maker. will get their first chance to call the company's management to account since its shares were suspended on the Toronto Stock Exchange four months ago.

Pressure from YBM's institutional shareholders has been growing over the last month since scheduled hearings before the Ontario Securities Commission were postponed indefinitely when the company's auditors, Deloitte & Touche, resigned.

YBM responded late last week by calling a shareholders' meeting for November 17 to elect a new board of directors and to discuss the issues facing the beleaguered company.

Top among those issues is whether YBM's shares will ever trade again on the Toronto market. Trading was suspended on May 13 when the company failed to file audited second quarter financial results, the same day that FBI officials raided YBM's Pennsylvania headquarters as part of a criminal investigation.

One of YBM's original shareholders, Semion Mogilevitch, was barred from the UK in 1995 following an investigation into alleged

involving Russian organised

The Ontario Securities Commission has said it would maintain the cease trade order until audited financial statements have been filed. But YBM has yet to find another auditor willing to do the job.

The company sells industrial magnets, mostly in eastern Europe and Russia, and had a market value of more than C\$900m (US\$600m) earlier this year when shares were trading at over C\$20. But mutual fund managers have since written YBM's value down to C\$1 to

The case has raised tough questions about Canadian securities regulation because Ontario regulators were warned last fall about concern over the company's allowed YBM to proceed with a new share issue.

The company has been busy reorganising over the past month, Harry Antes, chairman, stepped down last week and was replaced by Jacob Bogatin, who is also president and chief executive officer.

It has also named a new chief operating officer with responsibility for the eastern European divisions and a new managing director for money laundering activities its UK subsidiary, Crumax

On the web today

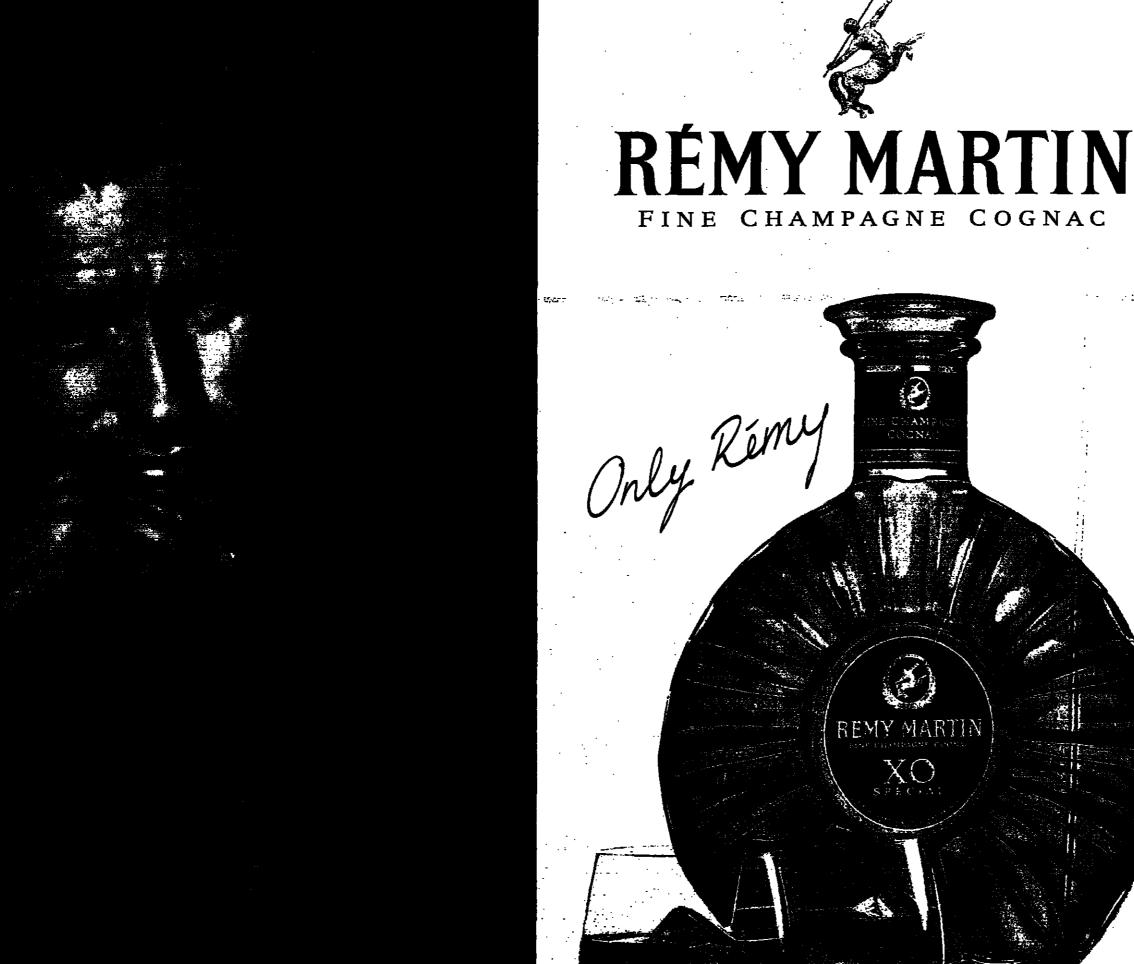
British and Cuban groups in insurance joint venture

Mexico bank bailout details begin to emerge

 Panama seeks bids to run state water company http://www.ft.com/americas

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10

'Green Budget' government plans more aggressive approach as core of november policy statement

Chancellor to urge more competition

Slowdown in pay rises may fail to persuade central bank to cut rates

By Robert Peston Political Editor

The government plans a more aggressive approach to the promotion of competition, including the more systematic use of competition authorities to probe poorly performing industries. Gor- and Richard Adams write. don Brown, chancellor of the exchequer, has instructed officials to come up with "supply side measures to boost the competitiveness" of British companies. He

lish the policy framework for the national Budget next According to a minister. Mr Brown is persuaded that inadequate competition is

the relatively poor produc-

wants these to form the core

A higher than expected slowdown in the rate of annual pay increases may

not be enough to prompt the Bank of England to cut interest rates. Chris Tighe The latest labour market flaures, issued by the Office

for National Statistics yesterday, showed underlying average earnings

of his pre-budget report - or "green budget" - in late economy, "We are looking at to the government taking question of the moment is November, which will estab- a range of measures," said another government member. "The most likely outcome is that we take a more bility" of this happening. active role in asking the Next year, the OFT will have Office of Fair Trading to several new powers to fine scrutinise practices in particthe biggest single cause of ular industries."

He added that some con- competition bill currently tivity of swathes of the UK sideration was being given

between May and July, down from 5 per cent in April to June. But the drop was balanced by a further fall in unemployment, . reinforcing fears the labour market remains tight.

The percentage of the workforce out of work and claiming benefits fell to 4.6 per cent in August, the lowest rate since May 1980. The minutes of the August

direct action to break up

"excessively" big companies,

but there was a "low proba-

and launch investigations,

following enactment of the

before parliament. "The big

England's monetary policy committee, which sets Interest rates, published yesterday, noted "further increases in the demand for labour had become more of a concern in recent months." Excluding bonus

meeting of the Bank of

payments, the ONS said earnings rose 4.4 per cent, compared with 4.5 per cent the previous month. Only

these powers," the govern-

and telecommunications.

which have been identified

Sectors where the toughest

ment member said

manufacturing registered a fall in the number of workers. Some of those losses have come from the impact of economic turmoil . in east Asla. Speaking outside Fujitsu's doomed semiconductor plant in north-east England, Tony Blair, the prime minister, said it was important not to exaggerate the problems in the economy.

significantly less competitive how we ask the OFT to use than their peers in the US. It estimates that labour productivity in the UK telecoms sector is 55 per cent of action may be taken include the US level and that food banking, food manufacturing cessors are 25 per cent less productive than US rivals. The consultants, who by McKinsey, the leading have been holding productiv-

competition in the banking sector are seen as having damaging ramifications for other sectors. Poor productivity in the

British software industry, for example, is partly caus by the relative sleepiness of UK banks compared with their US rivals, said a government member.

with the Treasury and

Department of Trade and

Industry, identify an exces-

sive UK regulatory burden

and insufficient competition

as two of the main causes of

this gap.

Alleged deficiencies in

The boldness of Mr Brown's thinking and the inevitable ructions with companies is likely to unsettle Tony Blair. the prime minister, and Peter Mandelson, the new trade and industry secretary. who have been basking in Labour's success at wooing

TRADES UNION CONGRESS EURO AREA 'STABILITY IN A WORLD IN ECONOMIC TURMOIL

Union chief hails Emu 'bulwark'

The UK economy will suffer from its refusal to join European monetary union on 1 January 1999, John Monks, general secretary of the Trades Union Congress,

warned yesterday. for the time being - widely will look less and less attractive as we see the effects of the UK being excluded from the European Central Bank and the euro group of finance ministers," he said the TUC in the north-west

a reason for keeping interest prime minister. Without the European social model rates up. It would be a rea-

of stability in a world in economic turmoil".

fact that the TUC is now the "Staying out in the cold one of the most pro-European Union national institutions in the UK. He reminded the unions this dent Jacques Delors made to intervention, said Mr Monks, hardened the hostility to EU integration already shown England resort of Blackpool. by Baroness Thatcher, who

Emu, the lira, peseta and that provided the "third son why they would come other traditionally weaker way" that the government currencies would have been Mr Monks said the euro in trouble, Mr Monks told way between failed state regarea was already a "bulwark" TUC delegates. "As it is, the ulation in eastern Europe Danes and the Swedes - co- and the cruel excesses of abstainers like ourselves -His speech underlined the are the European currencies under pressure.'

He had hoped the UK government would "lead rather than follow" in Emu, he continued. "Following means happened as a result of the that newspaper barons will "seismic" speech EU presi- have a field day. Every exclusion from a key meetthe TUC ten years ago. That ing of the Euroland countries will become a slight on national pride, a humiliation for Britain which will be used to fuel more hostility." Entering emu would not be was then Conservative Mr Monks claimed it was

dards than the British. higher productivity, welfare benefits the British could only envy and higher capital infrastructure. "We are falling behind the forward

was looking for. "It is the

unregulated US capitalism."

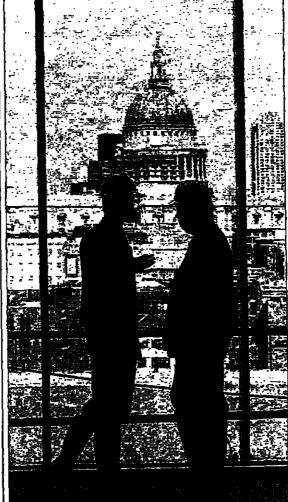
he said. "Social solidarity

and free trade unions are pil-

lars of the European model,"

he added.

Mr Monks pointed out that large areas of Europe enjoyed higher living stan-



A giant roof panel placed on a disused 1940s power station by the river Thames in London marked the final stage of converting the building into the Tate Gallery of Modern Art. Nicholas Serota (left), director of the existing Tate Gallery in London and Lars Nittye. director of the new gallery, are pictured in the converted building which faces St Paul's Cathedral in the City on the far side of the river. The new gallery will open in 18 months.

Private funding initiative is rebuffed

By Robert Taylor

The government suffered a setback at the Trades Union Congress yesterday when delegates rejected its private finance initiative for attracting private funding to public

Accountancy

The outcome was a set- for public investment" was on the British clothing and back for John Monks, the carried by a big majority. TUC general secretary, who ● Marks and Spencer, the opposed the proposal.

state "proper capital funding subsequent campaign will to ensure the future infra-structure of the public ser-ment to change their mind." Ma vices in a way which does A statement on public spending and pay condemning the use of PFI as a "substitute

"PFI is here to stay no and Sharks" for recently warned that it would face matter what motions are car- advising its textile suppliers ried in this hall," he said, to move production overseas union movement "by all "Scrapping PFI will leave an to cut costs, Andrew Bolger means possible" if it tried to £11bn (\$18bn) hole in the writes. The conference dele-sell a minority stake in the They voted to campaign public finances. The motion gates urged the company to Post Office. retnink its strategy, which that the government rein-adoption of the motion and a union officials claimed could secretary of the CWU postal

retorted: "If we sat back and allowed M & S to become less competitive, then the impact the TUC today.

textile industry really would be disastrous.

retailer. was dubbed "Marks • The government was resistance from the trade

Derek Hodgs cost up to 60,000 UK textile union, said he hoped Peter Mandelson, chief industry Marks and Spencer minister, would deny reports of an imminent privatisation decision when he addresses

Brussels is pressed for peace cash

body to limit By John Murray Brown In Dublin liabilities ruse

Directors of companies are to lose one of the most popular tools of creative accounting, which has allowed them to smooth profits and dis- is today expected to publish guise poor performance, draft legislation which will lished today by the Accounting Standards Board.

The rules governing so-called "big bath" provisions - in which companies bundle together vaguely disclosed liabilities often amounting to billions of pounds - are to be tightened

early next year. The ASB, which has already limited the discretion given to directors on provisions linked to acquisitions, believes the new draft standard will finally end the abuse, "That's all the doors chut," said Sir David Tweedie, the board's chairman.

The ASB has waged a long campaign against companies which manipulate their restructure the company for results by setting aside money in the accounts to justify setting aside money. cover future costs and then boost profits later when all or some of the money is not needed. The board is concerned

impression of future profits. The new standard will also spent." be seen as a significant step forward in the hoard's con-

provision can be made only when a clear obligation

than in the past.

hilities and assets in halance

Move to protect partners' assets

The government's Depart-

ment of Trade and Industry

allow accountants to form limited liability partnerships, Jim Kelly writes. The move will help protect partners' personal assets when negligence results in litigation against a firm. The DTI is also expected to confirm that the accountancy profession's new blueprint for self-regulation is acceptable. But a wide-ranging reform of the current liability regime affecting auditors is expected to form part of a longer-term and wider review of company law.

This means that a simple decision by the board - to example - is not enough to "The users of accounts cannot be expected to be mind readers." said Sir

David. Michael Hughes, head of that share prices often rise audit at KPMG, said: after provisions are made, on "Boards may well feel the assumption that the uncomfortable at being premoney will be used to add to vented from providing for a shareholder value, only for reorganisation until they the action to give a false have told others - even if they know the money will be

The new rules will also severely limit companies troversial plans to define lia- from providing for future operating costs. But the sheets much more strictly rules also mean some provisions often avoided by com-The new rules mean that a panies will now have to be made early and in full.

David Trimble, Northern ireland's first minister, indicated yesterday that he would use the April peace agreement to press for con-tinued budget transfers from under the 1999-2004 pro-European Union funds even though the region no longer qualifies for them

European parliament in it was "imperative that Objective One funding for Northern Ireland is main-(\$218m) a year in structural funds under the Objective One programme for regions costs are stripped out. where the gross domestic . The current tranche is

cent of the EU average. European Commission officials in Northern Ireland say the region's GDP is now 78 per cent of the EU average which makes the province ineligible for further funding

The EU aid is dwarfed by the £3bn net subvention Announcing plans to make . Northern Ireland receives his first official visit to the every year from the UK government. But Michael November, Mr Trimble said Smyth, an economist at the University of Ulster, points out that the EU money represents a tenth of all infratained". Northern Ireland structure spending, once receives about Ecu200m current budget items such as unemployment benefit, pensions, education and health

Belfast-Dublin rail link, a a separate Ecu300m progas interconnector with the gramme agreed after the UK mainland and the conversion of Northern Ireland's likely to go towards reintelargest power station.

cal development minister in the UK government. The Corry, a member of the visit would "cement the Ulster Volunteer Force who good will that so many of Europe's institutions have years for illegal possession for Northern Ireland," he of weapons. His release said. Mr Murphy remains means that all the paramiliresponsible for negotiations with Brussels until the the peace agreement have Northern Ireland executive had members freed. The assumes full powers in Feb groups are the Irish Republi-

cated under the Peace and Association and UVF.

paramilitary ceasefires - is gration of paramilitary pris-Mr Trimble and Seamus oners, a further seven of Mallon, the nationalist dep- whom were released from uty first minister, are to the Maze orison in Northern accompany Paul Murphy, Ireland yesterday in line the Northern Ireland politi- with the peace agreement. The group included Simon

had served more than five tary groups that accepted ruary next year. can Army and the anti-Some of the EU cash allo-nationalist Ulster Defence NEWS DIGEST

ENRON APPOINTMENT

Gas industry regulator to work for US energy group

Clare Spottiswoode is to become a senior executivest Enron, the US energy group, when she stands downas UK gas Industry regulator in November. Ms Spottiswode, regarded by the industry as an uncompromising and ontroversial regulator, has been appointed to help develop Enron's global water investment business.

Ms Spottiswoode, speaking after taking part in the World Energy Conference In Houston, where Enron hauts headquarters, insisted her new appointment would not cause a conflict of interest as she would not be involve in energy matters. She said: "I have no confidential informa-tion on water at all." Ms Spottiswoode will have special responsibility for advising on regulatory issues affecting

European water developments.

John Battle, energy minister, earlier this year announced plans to merge the jobs of UK gas and electricity regula-tors. The new post is expected to be filled by Callum McCarthy, former chief executive of Barclays Bank's north American operations.

Rebecca Mark, Enron vice-chairman, last night said the US group had "long admired" the work done by Ms Spottiswoode. Andrew Taylor, Robert Corzine, London

AIR TRAFFIC CONTROL PLAN

MPs to probe rising costs

The soaring costs of the planned air traffic control centre at Swanwick in southern England are to be investigated by MPs following the disclosure that the budget has risen from £350m (\$577.5m) to £475m. The Civil Aviation Authority said yesterday that the centre would be completed within its budgeted capital cost of £350m and that the additional £125m came from its revenue account, for matters such as the transfer to Swanwick of air traffic controllers from their base near Heathrow. London's main air-

However, MPs on the transport committee of the House of Commons are concerned that they have consistently been given confusing information. The CAA yesterday insisted that the committee had been told about costs last year. The centre, which is intended to be the most advanced in the world, was to have opened in 1996 but will not now begin operating before 2000 because of com-

puter software problems. The CAA said it had also paid Lockheed Martin, the US company responsible for the Swanwick computer system. £216.9m, although its fixed price contract had specified £163m. Lockheed Martin had spent its own funds eliminating faults and had not been paid extra to do so. The company is believed to have spent more than £100m on this work. Michael Skapinker, Robert Peston, London

BARINGS BANK COLLAPSE

Repayment scheme fails again

A scheme to provide partial repayment for bondholders caught in the 1995 collapse of Barings has failed again to win the necessary approval. For the third time in 10 weeks, a meeting of holders of one class of securities was adjourned yesterday, raising new doubts about whether the compromise settlement will be cleared before it expires at the end of the year.

Opposition is led by vulture funds which have bought up, at a deep discount, a majority of floating rate notes issued in 1986, hoping to get more than the 60p in the pound (\$1 in \$1.65) envisaged under the settlement. The l-kin holders have a higher leg bank's liquidation than perpetual note holders (who stand to get 23.6p in the pound), but their representatives originally agreed to relinquish some rights. The settlement would produce payments of £84m before expenses on bonds with a face value of £190m. Clay Harris, London

ROYAL OPERA HOUSE

US arts executive chosen

The Royal Opera House Covent Garden confirmed vesterday that it has appointed Michael M. Kaiser as its executive director. He takes up the post on November 12. Mr Kaiser, who is in his late 40s, has spent most of his working life in arts administration in the US. For the past three years, he has run American Ballet Theatre and before that worked with the Alvin Alley Dance Foundation and the Plerpoint Morgan Library. He has also been an arts con-

He was the personal choice of Covent Garden's chairman, Sir Colln Southgate, who was impressed by Mr Kaiser's ability in the past to eliminate deficits, boost revenue, and expand educational projects - all talents much needed at Covent Garden, which has been without a chief executive since Mary Allen quit in June.

The appointment of an executive director is a sign of defeat for Sir Colin. He hoped to appoint a general manager of international reputation who could take on the roles of both executive and artistic director but the financial problems hanging over Covent Garden put off possible

Sir Colin shortly hopes to appoint Sarah Billinghurst deputy director of the Metropolitan Opera in New York, as artistic director, but discussions are still continuing. Both posts carry salaries in the region of £100,000 (\$165,000) a year. Antony Thorncroft, London

Former carmaker wins battle of the armoured vehicle market

One of British engineering's oldest names is set to become the nation's champion in pan-European consolidation of the industry, Christopher Swann and Andrew Edgecliffe-Johnson report

vived against the odds. As a result of Tuesday's deal to buy GKN's tank division, it will emerge as Britain's foremost armoured vehicle maker, stealing a march on Vickers, which once domi-

nated the industry. With combined sales of £233m (\$385m) in 1997, the group will have a comprehensive range of light fighting vehicles, and a strong order book. It will also be in a power-

ful position to become the UK champion in the looming pan-European consolidation of the industry. While the eroded margins in the late US makes do with two tank companies. Europe has 23. started life as a carmaker famed for a marque known the end of the cold war, had as the poor man's Bentley. brought the group to its consolidation would have to

A control of the second second

Mengineering, has sur- tion to armoured vehicles, acceptances for its hostile With its cars facing strong bid that year, engineering competition from large US rivals in the 1940s and 1950s, Alvis increasingly tilted towards military contract-In the 1960s, Alvis ceased

engines, and its name was submerged. Rover bought the company in 1967, and Alvis was eventually sold to the diminutive United Scientific Holdings, a manufacturer of military sighting equipment, in 1981.

Competitive tendering at the UK Ministry of Defence 1980s, taking the gloss off the group's generous stock-Alvis, founded in 1919, market rating. Deep defence cuts, driven by recession and

A ivis, one of the grand During the second world knees by 1989. In spite of second names of British war, Alvis turned its product uring more than 30 per cent rival Meggitt was scared off by a dire profits warning. The appointment of Nick Prest, who orchestrated Sci-

entific Holdings' scotchedearth defence to the Meggitt making cars and aero bid marked a turning hoint. After rechristening the com-pany Alvis in 1992. Mr Prest sought to focus the group on armoured vehicles and to lower gearing, which stook at more than 100 per cent. Last year's acquisition of

Hägglunds, the Swedish armoured vehicle group, was heralded by analysts as a coup. The £75m deal doubled the size of Alvis, and Hägglunds brought with it a £400m order book.

Alvis, CKN and Vickers agreed on one thing: that

Alvis: expansion is the best Order book - Employe · (Σm) 100.3 8.1 500 574

last year, GKN seemed close to selling out to Vickers, but disagreement on price is reported to have scuppered

All three companies then decided that no consolidation could take place until they knew the outcome of the TK's strategic defence review and of a big Euro-

pean contract award. The Gefence review made

begin at home. By the end of clear that the armed forces of the future would need

lewer battle tanks and more smaller vehicles. The award this summer of one such "battlefield taxi" contract the £2.5bn multi-role armoured vehicle procure ment from Britain, France and Germany - went to a consortium that included GKN, rather than to the joint Alvis/Vickers bid.

headache of a sharp drop in activity. After the delivery of 254 Warriors to Kuwait, GRN's

sales had halved to £160m in 1997. They will drop again in 1998, and the division is expected to lose money in letter from Mr Prest to C.K.

Chow, chief executive of

GKN, and paved the way for the month-long negotiations between GKN and Alvis

which led to yesterday's

Combining the two groups

solves problems for each

Alvis, frozen out of the

multi-role armoured vehicle

contract, was facing a fall-off

in business from 2002. GKN.

while assured of work from

2004 when MRAV production

begins, had the near term

announcement.

Analysis see the merger as just the start of the consolidation, however. The ghost at yesterday's feast was Vickers, which is not expected to sit happily on the side-That announcement lines as its rivals join forces.

GROWING BUSINESS GERMAN MACHINE TOOLS

Married to their separate ways

Index and Traub are a combined company with distinct operations. The aim, says Peter Marsh, is part of a 'twin brand' strategy to enhance their strengths

marriage, it was those muttering that it hardly a union made would end in tears. in heaven. Last year Index, a private German machine tool company, took over

outskirts of Stuttgart. For 60 years the two companies had been competitors. selling similar machines to customers in related industries. But during the 1990s debts of DM300m (£100m) eventually forced Traub into

With the German machine tool industry only slowly emerging from a slump in demand in the early 1990s,

If not quite a shotgun ding were outnumbered by

Klaus Frick, chief executive of Index and the main force behind the takeover, Traub, a smaller rival only a seems to have won over the few kilometres away on the doubters, helped by a worldwide. pick-up in the world's \$40bna-year machine tool industry, and by a decision not to merge the two parts of the new company into a single

> His efforts have centred on recognises the differences between the Index and Traub models - which in many respects are similar has not been revealed - for types of machine tools. By his rival's assets. This year

tion, Mr Frick has reduced operating costs.

His strategy illuminates the approach that may be needed when merging other types of industrial goods companies which produce specialised equipment aimed market "niches", but which are often too small to support a management structure required to sell Traub, once one of Ger-

suppliers, saw its revenues dwindle to DM140m a year. but its overheads in terms of management and factory space were more appropriate a "twin brand" strategy that to a company twice the size. With the company in receivership, Mr Frick paid only a small sum - which

many's biggest machine tool



types were directly compara-

have sales of about DM650m, and 2,150 employees, 500 of them from Traub. Index's earnings are kept secret, but Mr Frick indicates that the takeover has not damaged the combined company's each company's product profitability.

Most of the 10 or so top anagers at Traub left the company after the takeover and their functions were taken over predominantly by Index people. "Where possible we used the existing structure of Index to absorb people at Traub but without much of the indirect costs,' says Mr Frick.

The proximity of the Index and Traub plants enabled the merged company's senior managers to combine functions in areas such as production control without having to travel large dis-

The companies' main products are computer-controlled

A BOEING

turning machines used in ble. The rest were "specialindustries such as cars and ity" tools; for instance, "mul-Mr Frick's analysis before the takeover had shown that only about 30 per cent of

ti-spindle" machines for making parts in high volumes, or tools for fashioning extremely slender shafts such as those used in elec-

alised customers prepared to product lines separate. With the Traub name being retained in product

> We had to convince Traub customers that the company was not going to die'

Klaus Frick,

pay up to DM700,000 for a to convince Traub customers machine justified keeping that the company was not going to die." That has meant keeping development efforts at the two groups at arm's length, although the 190 engineers (150 from index and the rest from group's development staff are encouraged to swap

While production has not been combined, Mr Frick has sbared some manufacturingrelated tasks, such as heat treatment to harden specialised components and spare-parts distribution.

The sales forces have also been kept separate. "We always knew how tough their [Traub] sales people were," says Mr Frick. But now they are working for him rather than against



Shock absorbers could protect buildings

Shock absorbers could protect buildings during an earthquake or bomb explosion, in much the same way as they dampen the effect of going over bumps

Engineers in the US are developing shock absorbing devices controlled by sensors that monitor the way a building is moving. The shock absorbers use a oil suspension of tiny iron particles, whose viscosity and the magnitude of the damping effect - can be modulated by creating a magnetic field. That would allow the suspension to be tightened up during a catastrophic event.

The shock absorbers which require about 50W of power, can be run on funded by the National Science Foundation, is being of Notre Dame, Indiana. National Science Foundation: US, tel 7033061362: http:// www.nd.edu/quake/

Magnetic device aids hearing

A hearing implant that relies on magnetic rather than

acoustic vibrations promise to overcome many of the problems with traditional hearing aids.

Researchers at the University of Virginia are developing a device that uses an electromagnet to stimulate the inner ear. It leaves the middle ear system intact, allowing the normal acoustic pathway to work simultaneously. This makes it possible to design a control device to amplify the desired sound, while preventing background

Because the aid relies on magnetic rather than acoustic feedback, it would be able to eliminate the high-pitched squeats cause by acoustic feedback in conventional hearing aids. The device, funded by the

engineering, has been tested on animals, but not yet on Whitaker Organisation: US, tel 7035282430; e-mail info@whitaker.org

Whitaker Foundation which

backs work in biomedical

Chip produces better motoring

A computer chip designed by Nasa's Jet Propulsion aboratory is being installed in Ford cars to improve fuel economy, reduce emissions and diagnose misfiring

patterns. The neural nets will leam" how to optimise fuel economy, reduce emissions and diagnose problems such as the engine misfiring. Jet Propulsion Laboratory: US, http://www.jpl.nasa.gov/ ses/98/ijcnn98.pdf

network, which is modelled

on the way that neurons in

volumes of information and

the brain process large

'leam" to recognise

Plastic use for scrap waste

Researchers at Warwick University in the UK have found a way of making plastic products from an otherwise useless residue that is left over from

Recycler's are frequently left with scrapyard shredder waste that cannot be turned into anything intrinsically

The researchers at the Warwick Manufacturing Group have developed a waste inside plastic components. The final products can be painted and used in plastic components and containers ranging from car parts to washing-up bottles. Warwick University: UK, tel (0)1203 523784; e-mail g.f.smith@warwick.ac.uk

The chip is a neural



recycling processes.

Vanessa Houlder



STEE HIGH COURT OF JUSTICE CHANCERY PHYSION COMPANIES CYART IN THE MATTER OF BEATTIES OF LONDON

• ead • IN THE MATTER OF THE COMPANIES ACT 1985 COMPANIS ACT 1985

NOTICE IS BEREEN GIVEN that the Order of the High Court of Justice (Chattory Division) and 12th Separather 1985 unformant 11th the reduction of the share capital of the above nated Company from \$1.500,000 are 120,000 and 12th exacellation of share permittin account of the share samed Company, in the matter \$1.500 and the Minister Lapraced In the Court was registered by the Reyntra of Companies on 10 September 1998 DATED this. 17th thy of September 1998 Ashared Morris Crise DATESTERS TO GO OF SERVER
Address Morre Crep
Broadwall House
S Appold Succi
Lombus FC21 2HA
Rei: LCW/E4/2222007/775132 Tel 0171678 1111

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

LEGAL NOTICES

IN THE MAITER OF RICHARD KOHNSTAM LIMITED IN THE MATTER OF THE COMPANIES ACT 1985 NOTICE IS HEREBY CAVEN that the Order

capital of the above named Company from £8,810,794 to £5,550,800.22 and (2) the concelling to share previous resums of the above assumed Company in the satur of 12.29.207 and the Missian approved by the Court was registered by the Registrar of Companies on 8th September 1998. DATED thes. 17th day of September 1998. Tel: 0171 638 1111 Ref: LCW#2503300

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT

IN THE MATTER OF ERA GROUP PLC IN THE MATTER OF THE CUMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order NOTICE IS HEREBY GIVEN that the Order of the High Court of Hustone (Chencery Drivision) dated 2rd Separative 1998 orefinitum; 11 the archatten of the share capital of the above major Company from 1/0780/UNB to 123/07/000 and 12) the above masted Company in the same of CoUNS11 and the Minute approved by the Court was registered by the Registerar of Companies on 10th September 1998.

DATED this 17th day of September 1998.

Acknowl Morris Crisia Ashorst Morris Crisp Broudwalk House 5 Approld Street Landon ECZA ZHA Tel: 0171 6 W 1111 Res LCW/ES0200067

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or Janeth Harvey in New York Tel: ±1 212 745 1346 Fax: ±1 212 688 8229

FINANCIAL TIMES No FT, no comment.

Intense enough to set your teeth on edge

Artificial sweeteners, back in fashion, may now be about as sweet as they are ever likely to get, says Nikki Tait

"Sweets for the a new product that propo- ener banned in the sweet," declared nents claim is about 8,000 US almost three decades Hamlet a few centu- times sweeter than sugar. By ago for health-related

seen a sudden burst of fresh 200 times sweeter. regulatory approvals for high-intensity sweeteners, story. Also up for US R&D programmes, the pace with the promise of more to approval - although already come. Most attention has accepted in countries such attached to sucralose, devel- as Australia, New Zealand oped by Tate & Lyle of the und Mexico - is alltame. Ali-UK but produced and marketed under licence by a sub- of two amino acids. It was sidiary of the US-based John-

finally gave the green light for its use in 15 food and drink categories in the big US market. Sucralose is said to be 600 times sweeter than sugar.

Louis-based company that after the FDA authorised it dominates the artificial sweetener business through Pepsi announced plans to its long-standing aspartame product, has also been

ries ago. Today, the question contrast, aspartame, often reasons. might be exactly how sweet? better known by its brand-

Nor is that the end of the tame is a dipeptide made up developed by Pfizer before son & Johnson group. the US drugs group sold This spring, the US Food its food science business and Drug Administration to the Helsinki-based Cultor group.

Wider use approval has already been given to Hoechst's acesulfame-K, known as Ace-K and marketed in Europe as Sunett. But Monsanto, the St This summer, immediately as a soft drinks ingredient, launch in the US a diet cola that uses Ace-K

There is even a separate It has filed for "table top" initiative to re-authorise

usage approval for neotame, cyclamate, an older sweet-

isfied all requirements, encouraging blending. "The science is pretty com-

dent of Monsanto's nutrition and consumer business division. "The flavour profile of from that of a chewing-gum, which is very different from a soft drink."

Why this revival in inter-

industry say it reflects a mixture of long-standing of regulatory approvals, and patent expiries. For centuries, consumers'

sweet tooth cravings were satisfied by natural prodin the 1800s but fell out of favour on health grounds. (It is widely viewed as a possible, if weak, human carcino-

In the 1980s the Chicagobased Searle company, now a unit of Monsanto, came up with aspartame. Some estimates suggest this takes upwards of 70 per cent of the \$900m-a-year high intensity sweetener market. Nevertheless, the patents on aspartame ran out by the early-1990s, encouraging competi-

The technology of the sweetener business also favours innovation. Most high-intensity sweeteners the only low-calorie sweet-result from some form of ener "that is made from molecular chemistry. But, sugar". It is produced by from a customer's stand- replacing some of the hydropoint, the requirements are a gen-oxygen units in a typical mixture of taste, stability, economics, and safety. To date, few products have sat- through the human body of its possible cancer-causing

plex," says Nick Rosa, presi-

An orange-flavoured soft drink is different from a

uct category or niche.
"I don't think there is an easy technological explanation for the sweetness part, the intensity level," says Mr Rosa. "What it really amounts to is the interaction at the molecular level of the The past months have name Nutrasweet, is a mere est now? Players in the taste receptor in the tongue and the molecule."

Finally, the market itself

has been fairly enticing. While high-intensity products are still a relatively small part of the overall sweetener market - worldwide, they amount to perhaps 8 per cent of sales of traditional sweeteners like sugar and corn syrup - they have posted higher growth rates as marketing of "calorie-controlled" foods and According to the Calorie Control Council, a US industry trade association, about 73 per cent of US consumers buy low-calorie products regularly, compared with 50 per cent five years ago. So, what the newer products promise is either more for less. or some type of product enhancement.

Sucralose, by contrast, is trying to capitalise on "natural origins," claiming to be sugar molecule with chlorine atoms that then pass without being metabolised.

'The flavour profile of a yoghurt is very different from that of a yoghurt is very different chewing-gum, which is very different from a soft drink'

The final reason for a lemon or lime product or a burst of product developcola. And often there is an ment is the length of regula- that it should not be used by optimal flavour/sweetener tory reviews and the delay individuals with a rare oratories, and the re-author-probably pushed technology profile for each given prod-between submissions and, genetic disease called phe-isation initiative is as far it knows how: "Neo-

Even aspartame is obliged to carry a caution in the US



sumer standpoint, sweeteners are still surrounded by health-related issues. Saccharin, for example, carries a warning notice in the US

> well enough tested", for But Hoechst says Ace-K tested in more than 90

Michael Jacobson, at the

Washington-based Center for

in products consumed by billions of people with no substantiated ill-effects. Mr Jacobson says his says. organisation is also opposing any re-authorisation of cyclamate in the US. Cyclamate is made by Abbott Lab-

Control Council. He says the centre has no

Science in the Public Interproducts on the market. He consumption of extremely maintains that Ace-K has sweet, non-nutritional drinks and foods - all sweeteners may be pandering to consumers' sweetness appetite. has been very adequately That, in turn, may exacerbate a range of problems from obesity to dental disease. "These products could

just whet people's appetites for more sweet products," he Perhaps the final question is precisely how sweet sweeteners will get. Mr Rosa, for one, thinks Monsanto has

tame is probably the endgame in high-intensity sweeteners. In terms of stability and economics...there direct worries with sucraest, also worries about other lose, except the broader is not going to be a marked issue that by encouraging improvement...with another molecule." Consistent with the com-

pany's agribusiness drive, he thinks the next initiatives will be based on genetic modification of underlying crops. "Why can't we modify basic foods to be sweeter? And the answer is, we can; in some basic products like soyabeans, canola [rapeseed] oil, wheat, corn. It is not going to cost more to grow wheat that is perfect for a baking application, with no sweetener required. I think that is probably five to 10

E 1/14

SIEMENS



What kind of a world is this in which a notebook outperforms a desktop system?

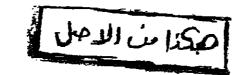
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FINANCIAL TIMES THURSDAY SEPTEMBER 17 1998

THE ARTS

Brittle portrait cleverly framed

Martin Hoyle finds a film about Francis Bacon eerily distant

Love is the Devil is so clever that it alienates you. This account of the painter Fran-cis Bacon's relationship with the petty East End criminal who literally dropped in on him (through the skylight) in the pursuance of burglary, is, appropriately, visu-ally striking; but intellectually undernourished.

John Maybury's first feature consists of beautifully composed frames, whether naturalistic dark interiors such as the recreated Soho drinking club, the Colony Room - or the distorted spoon reflections and angular visions that echo the painter's tortured style. But the dialogue is no great shakes, especially when evoking the brittle world of alcoholically arty cliquishness in the 1960s. Bacon's social assets amount to a camp bitchiness couched in the irritating terminology still found among homosexuals of a certain age, where other males are referred to

What attracted the rough George Dyer to Bacon - for. as the film emphasises, the attraction was deep and complex - is never made clear, From Daniel Craig's not quite convincing cock-

breakingly pukka Muriel Belcher (legendary dragon of the Colony Room), one vacillates between admiration at the cleverness of it all and the realisation that true cleverness should not be so self-conscious.

The air of calculation that permeates the movie is summed up by the use of present-day artists, and the merely arty, as extras in the

LOVE IS THE DEVIL John Maybury

LETHAL WEAPON 4 Richard Donner

MEN WITH GUNS John Sayles

CHARACTER **Mike van Diem**

THE DOOM GENERATION Gregg Araki

KISSING A FOOL Doug Elin

pub, club and bar scenes. Spot Maria Bjornson. Clock Anita Pallenberg. The implication that today's bohemians correspond to their 1960s counterparts is tosh.

Derek Jacobi looks uncannily like the puffy-faced Bacon. Presumably the



Derek Jacobi in "Love is the Devil": the film is as chilling and detached as its protagonist

of people is intentional, however diminishing the returns (the latter entailing the lonwhen applied to an unlikeable central character. The film is as chilling and detached as its protagonist; and leaves you as emotionally indifferent.

As if to pre-empt charges of cynicism, Lethal Weapon 4 makes much of the ageing process. The two cops of the decade-old series are now well into middle-age: Danny Glover and Mel Gibson - the latter especially leathery and short of breath.

But if the script turns this to advantage, there are signs of desperate contrivance elsewhere: cars shunted into the paths of oncoming trains not once but twice; cars hurtling through the glass

ordeals by fire and water Roan Inish showed to tiregest-held breath in the history of aquatic survival). It adds up to a pile of junk,

with a health-warning attached to those allergic to rough male matiness and whimsicality, garnished with fouler language than expected from a patently juvenile offering. The sole touches of style are provided by Rene Russo, playing nine months pregnant though sailing through fist fights, car smashes and conflagration; and the hypnotically villainous martial arts star, Jet-Li. Not for anyone over 12.

John Sayles is an overtly political director. He also sports a streak of feyness a yard wide, as the Celtic whimsy of The Secret of traumatised rape victim...

some effect. Men with Guns combines the two characteristics, incidentally squeezing the life out of a promising

In a Latin-American country, the distinguished Dr Fuentes (the Argentine actor Federico José Luppi), his career nearing its end, decides to look up the students he trained to work with the Indians in rural communities. His quest reveals that the doctors, no less than their patients, have been subjected to atrocities in the perpetual struggle between army and guerrillas. On his journey he acquires companions: a psychotic ex-soldier, a failed priest from Graham Greenland, a starving urchin, a

linear simplicity (and unvarving pace) of a folktale: the flatness but not the resonance. Characterisation aims at archetype but ends up as stereotype. Well-meaning, humane, dull.

Character is the dramatisation of a 1930s Dutch novel that begins as Dickens and ends as Howard Spring, A sort of Great Expectations. though the ambitious young hero's rise to success is influenced by a powerful observer as much malevolent as benign, Finely acted, last year's foreign-language Oscar winner boasts the rich, dark lighting of Rembrandt's homeland and its humanity, with sinister effects from German expressionism for good measure.

The story-telling has the Diem's direction is to create grows up he will make mem pre-second world war Rotterorable films. Kissing a Fool revolves France, Germany and Poland. If this isn't Rotterround David Schwimmer. famous as Ross in TV's

dam, you feel, this is how it Friends, an almost apporsncula be. mally long-faced actor evoca-More beautiful lighting in tive of those daffy, melan-The Doom Generation, the choly faces in Mad self-styled "first heterosexmagazine. This "romantic ual movie" from cultish comedy" (a label as ominous Gregg Araki. John Waters's as "comedy thriller") is irreverent rudeness is wafer-thin and feather-light: hitched to something darker: a road movie where heads are blown off and continue talking, detached arms still move their fingers, and a sweet-natured bisexual goof is castrated by fascistic rednecks. Brilliant visuals; reporter is soft-centred and mind-battering language (American cops should feel

wrong boy seems to be getting girl, his best friend Schwimmer never stirs too far from his Ross portraval: his womanising lock sports

romantic. More gumption comes from Jason Lee as the languishingly bookish

Frayn shows the limits of his talent | Adventures with a

THEATRE

ROBERT HANKS Alarms and Excursions Sigland Theatre, London

Few writers have shown themselves more versatile than Michael Frayn, in terms both of the forms he chooses - he has written journalism, novels, plays, films and philosophy - and of his ability to hop between the comic and the serious. Alarms and Excursions, subtitled "More Plays than One", could have been written expressly to show off his range: after Copenhagen, a sustained and serious intellectual drama set around the dawn of the atomic bomb, a series of tiny comic playlets and sketches.

Four actors - Felicity Kendal, Josie Lawrence, Nicky Henson and Robert Bathurst - are put through their paces in a collection of eight scenes debunking modern manners. The situations are familiar: a middle-class dinper party, a night in a Continental hotel; waiting for an aircraft to take off; inaudible



Felicity Kendal: put through her paces

conversation at a loud party: self-congratulatory corporate binge; meeting a friend at the airport. But in each case, Frayn pushes the situation

to absurdity. So the dinner party is reduced to chaos by gadgets

- an unworkable bottlea politician's speech; a opener and a phone with multiple extensions against a Rossini crescendo of electronic devices: smoke alarm, burglar alarm, car alarm, oven timer (a sort of "Noises On"); the corporate functionaries are systemati-

The contrast with Copenhagen's rigorous intellectual calisthenics could not be starker: is there, the audience seems to be being asked, no end to Frayn's talents? The answer, unfortu-

phone messages.

nately, is yes, there is. Frayn has an unrivalled ear for the bourgeois voice and manner the elaborate dinner-party rituals of jokiness and selfdepreciation (* . . . something very simple in the oven," apologises the hostess), the cringe-makingly humorous answerphone message. There were times during the evening when my face was frozen into a rictus compounded of two parts hilarity to three parts of hot, cringing self- that he say something, anyorchestrated farce and excellent one-liners, skilfully delivered by the cast and the

director, Michael Blakemore.

But too often the jokes sit

attempt to juggle sales however short, feel overreports, wineglasses, buffet extended; the farcical clianniance the makes are airport trip dissolves into a the build-ups are uneven and welter of crossed answer- forced. Perhaps farce can never survive in such a compressed form; but to say that is to beg the question of why Frayn bothered to write these pieces. It is not easy to find a satisfactory answer.

> ways we fail to communicate with each other; but the motivation behind several of the sketches seems to be contriving a setting for the that illuminate them. One of Josie Lawrence humour out of every situation, eventually demands

True, there is a moral

agenda here, a poke at the

one or two really good jokes roles, a middle-class wife on holiday abroad, suffering flippancy fatigue, exhaustion brought on by her husband's incessant attempts to wring recognition. There are thing serious. He pauses to sequences of brilliantly collect his thoughts before coming up with "Bright's disease?" For all its pleasures, Alarms and Excur-

sions lets you know exactly

how the wife feels.

personal language cally humiliated by the uneasily in sketches that,

RICHARD FAIRMAN Lindsay Quartet Wignore Hall, Londor

The period after a comcoser's death can be an awkward one for his reputation. Once the commemorations are over, decades may pass while the music seems neither new enough to warrant publicity, nor old enough to command respect. In Tippett's case, there have not even been any important retrospectives, understandably perhaps when his 90th birthday celebrations came only a couple of years before

he died. The Lindsay Quartet's series of the string quartets at the Wigmore Hall this week has rather a lone feel about it: but they insist it is not a commemoration, more an affectionate gesture to a sionalism, though whether man they had counted a friend and colleague since

the early 1970s.

three to follow tomorrow may well prove to occupy an work.

at home), an authentic

glimpse of the US as garish

While audiences may operas, and foreign orchestras have shown limited enthusiasm for getting to grips with the complexities of his symphonies, the quartets will always be there to tempt adventurous musicians. They follow much the nothing weakly derivative same path as the symphonies in miniature.

The Second Quartet, com posed in the darkest days of the war in 1941-42, alternates nostalgic English string writing with passionate outbursts born of pain and fore-

Unlike his contemporary Britten, Tippett did not seek to hide his feelings under a veneer of cool-headed profesthat should make his music more or less accessible to non-English audiences is dif-The five quartets - two in 'ficult to say.'

ing from the same part of influential place in Tippett's the 1970s as the Fourth Symphony. By this time, Tippett had developed both a soundbaulk at the idiosyncratic world and a method of argulibrettos he wrote for his ment that were entirely his own. For all the links to Beethoven which he openly encouraged us to make (the Lindsay Quartet belpfully scheduled Beethoven's Op.130 with the Grosse Fuge after the interval), there is

about his mature musical

style.

work of a different era, dat-

Tippett's is a very personal language, characterised by particular stresses and accents over which the Lindsay Quartet exercise a special mastery. Their performances on Tuesday had some rough edges, but one accepts those as part and parcel of the package. thanks to the Lindsays an essential feature of Tippett's urgently communicative style as it will be handed down to future gener-

INTERNATIONAL

AMSTERDAM

Het Muziektheate Tel: 31-20-551 8911 **Dutch National Ballet** Carlson-Humphrey-Tharp. Programme of works by the three choreographers; Sep 18, 19

EXHIBITION Stedelijk Museum Tel: 31-20-5732911 www.stedelijk.nl Bill Viola, 25 Year Survey - A Video Journey: major survey of work by the American video artist; to Nov 29

Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Götterdämmerung: by Wagner. New staging by Pierre Audi. conducted by Hartmut Haenchen; Sep 20

ATLANTA EXHIBITION High Museum of Art Tel: 1-404-733 4444 Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training; to Sep 20

CONCERTS Sala Mare a Palatului Chicago Symphony Orchestra: conducted by Daniel

BUCHAREST

Barenboim in works by Wagner, Berg and Tchaikovsky: Sep 18 Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schumann and Mahler. With piano soloist Radu Lupu; Sep 19

EDINBURGH EXHIBITION

National Gallery of Scotland Tel: 44-131-624 6200 Effigies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini; to Sep 20

FRANKFURT CONCERT Alte Oper

Tel: 49-69-134 0400 Chamber Orchestra of Europe: conducted by Heinz Holliger in works by Haydn and Mozart. Sep 18

LONDON

CONCERT Royal Festival Hall Tel: 44-171-960 4242 London Philharmonic Orchestra: Valery Gergiev conducts the season's opening concert.

Programme includes works by Tchaikovsky and Berlioz, with the London Philharmonic Youth Orchestra, London Philharmonic Choir and violin soloist Sarah Chang, Sep 20

EXHIBITION Royal Academy of Arts Tel: 44-171-300 8000 Picasso: Sculptor and Painter in Clay. This first major exhibition of Picasso's ceramics will include around 100 pieces, many of which have never before been exhibited. They will be shown with some paintings and sculptures, demonstrating how Picasso developed his ideas across different media; from Sep

English National Opera, London Coliseum Tel: 44-171-632 8300 Rusalika: by Dvořák. Conducted by Richard Hickox in a revival of David Pountney's production, directed by Lynn Binstock. The

MUNICH

title role is sung by Susan

Patterson; Sep 17

CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Heinrich Schiff in works by Beethoven, Hindemith and Mahler; Sep 20, 21, 22

NEW YORK CONCERTS

Avery Fisher Hall, Lincoln

Tel: 1-212-875 5030 www.lincolncenter.org New York Philharmonic: Kurt Masur conducts Beethoven -The Contolete Symphonic Cycle Programme I (Sep 17, 18); Programme II (Sep 19, 22)

EXHIBITIONS Museum of Modern Art Tel: 1-212-708 9480 www.moma.org Love Forever – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s with a series of large-scale monochromatic paintings called infinity Nets. This display

photographs and collages; to Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as pians, sketches, photographs and models of architectural projects, some of which were never

realised; to Sep 22

includes installations and a film

as well as paintings, sculptures,

New York City Opera, New York State Theater Tel: 1-212-870 5570 www.nycopera.com Partenope: by Handel. Directed by Francisco Negrin and conducted by George Manehan. Lisa Saffer sings the title role; Sep 19, 22 Tosca: by Puccini. New

production by Mark Lamos, in

association with Glimmerglass

conducts and the cast includes Isabelle Kabatu, Antonio Nagare and Mark Delavan; Sep 18, 23

Opera, George Manahan

PARIS CONCERT

Théâtre des Champs Elysées Tel: 33-1-4952 5050 Orchestre National de France: conducted by Leonard Slatkin in works by Chabrier, Franck, Fauré, Roger-Ducasse and Schmitt. With plane soloist Michel Dalberto; Sep 17

DANCE Théâtre des Champs Elysées Tel: 33-1-4952 5050 Cuban National Ballet: Swan Lake, in a staging by Alicla Alonso; Sep 22

EXHIBITION

Musée d'Orsav Tel: 33-1-4049 4814 www.Musee-Orsey.fr Millet/Van Gogh: display of 85 works brought together to demonstrate the influence of Millet on the work of Van Godh. These include paintings. drawings and pastels by both

artists, many of them on loan

from the Van Goah Museum in

Amsterdam; from Sep 17 to

Jan 3 ROME EXHIBITION Borghese Gallery Bernini, the Sculptor: The Beginning of Baroque Art in the

Borghese Family. Brings together

pieces belonging to the villa with

loans from abroad, including the famous Hermaphrodite from the Louvre. Includes self-portraits and early pieces, and paintings by Lanfranco: to Seo 20

SAN FRANCISCO OPERA

San Francisco Opera, War

Memorial Opera House Tel: 1-415-864 3330 www.sfopera.com A Streetcar Named Desire: world premiere of a new opera by André Previn, with a libretto by Philip Littell based on Tennessee Williams' play. The staging is by Colin Graham, with designs by Michael Yeargan. André Previn conducts and the cast stars Renée Fleming; Sep 19

SEATTLE

CONCERT Benaroya Hall Tel: 1-206-215 4747 www.seattlesymphony.org Seattle Symphony Orchestra: conducted by Gerard Schwarz in the world premiere of Bright Sheng's Spring Dreams. With soloists including cellist Yo-Yo Ma; Sep 18

STOCKHOLM EXHIBITIONS

to Oct 5

Moderna Museet Tel: 46-8-5195 5200 www.modemamuseet.se International Surrealism: works from the collection by artists including Dali, Duchamp, Magritte, Ernst and Giacometti;

CONCERTS

Man Ray: Objects of My

Man Ray was working in

Hollywood: to Oct 5

TOKYO

Affection. Album comprising 36

sheets compiled in 1944 when

Suntory Hall Tel: 81-3-3584 9999 Japan Philharmonic Symphony Orchestra: conducted by Gianluigi Gelmetti in Brahms' German Requiem; Sep 17, 18 Japan Virtuoso Symphony Orchestra: conducted by Philippe Entremont in works by Bertioz and Beethoven; Sep 20, 21

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SAMUEL BRITTAN **ECONOMIC VIEWPOINT**

Time to buck up

We should stop wallowing in pessimism and think how best to minimise the dangers of global deflation

During the worst years of the cold war, we suffered from gloomy and pointless speculation about the likelihood of a global nuclear hot war. As a precocious youngster, I wanted to discuss which policies would reduce the likelihood of such a disaster. It was axiomatic that the aim of western policy should be to remain neither red nor dead; simply wallowing in disaster scenarios seemed to me an immoral evasion as well as a fruitless speculation on the unknowable.

Similarly with today's economic problems. It seems pointless to speculate on whether there is going to be a world economic crash. There has been such a crash in several east Asian countries and Russia, and a recession, following years of stagnation, in Japan, The question is whether such a collapse can be prevented in the rest of the world. Recent stock market falls

do not yet warrant pessimism. Equities have been so clearly overvalued that a correction can be regarded as healthy. Even now Wall Street prices are still higher than they were when Alan Greenspan, the chairman of the Federal Reserve, spoke about "irrational exuberance". But suppose that equity markets were to fall much further? Even then doomsters should be cautious. For as many observers have pointed out. the stock market has anticipated five of the last two recessions - and the Fed would not be powerless to take offsetting action.

People have short memories, but the gloom at the time of the fivefold explosion in oil prices in 1973-74. following the You Kippur war, was worse than it is todav.

Even sticking strictly to

economic analysis, the problems were more worrying then. For at that time the world was suffering from inflation and deflation at the same time inflationary symptoms when it came to prices and deflationary ones when it came to output and employment. Policies to contain inflation would make recession worse; and policies to counter recession would increase further the dangers of inflationary take-off. In the event both unemployment and inflation rose together for three years running, giving birth to the

Market economies have always been subject to boom and bust

idea of a misery index. Today the danger comes from the deflationary side. This does not mean that it will be easy to counter, or that policy makers can forget about inflation as a thing of the past. But at least for the present they can all face in one direction It would help to

distinguish between the Russian problem, which is primarily political, and the economic dangers in the capitalist world. Yevgeny Primakov's Russia is set to retreat into some kind of command economy. Such an economy cannot fulfil its citizens' aspirations. Yet Russians might stand a better chance of being fed and clothed than they would if the country disintegrated into anarchy or civil war. It is, however, time to abandon illusions that a Russia of this kind will be a friendly power: and it might be still

countries of western Europe grew twice as fast as the communist countries. Czechoslovakia, Hungary and Poland, only slightly behind Austria in 1937, were far behind it by 1980. The obvious "western"

necessary for the west to

On the other hand the

uncertainties such as the

exaggerated. Whoever is

president of the US is likely

to rely on the economic and

foreign policy team of Alan

Greenspan, Robert Rubin

and Madeleine Albright –

and any replacements would come from the same policy

group. While bold initiatives

are unlikely, this may be

just as well on the foreign

policy, the less presidents

Some commentators are

worried that recent events

free markets to controls and

restrictions. They point to

the example of Malaysia's

adoption of exchange and

capital controls. If some

Mahathir Mohamad, the

a role model, they deserve

all they get. There is no

should follow suit.

reason why the rest of us

Market economies have

cycles of boom and bust, and

bubbles that burst. This has

been obvious since the South

Sea bubble of the early 18th

century. While wise policies

eliminate them; and we had

best regard them as part of

the price we pay for the

benefits of the division of

might glance at the table,

developments in former

communist countries with

other European nations. It

comes from a study by János

which compares

labour and consumer choice.

Anyone with any doubts

can reduce these swings,

they are unlikely to

always been subject to

Malaysian prime minister, as

countries want to take

will trigger a shift back from

policy front. And in

and prime ministers

intervene the better.

international economic

feedback from the crisis of

presidential authority in the

foreign adventures.

US, or from smaller

German elections, is

maintain deterrents against

weak spot is Japan. The need there is to reconstruct the banking system and to reflate the economy - in plain language to get people to spend more. The most important step so far has been the hints of the Bank of Japan that it might "monetise the debt" = purchase government and corporate bonds to put cash

Kornai, a distinguished

Hungarian economist. He

shows that, between 1950 and 1980, the four poorer

into the public's hands. The best assessment I have so far seen comes from Gayvn Davies of Goldman Sachs. who writes that this would be: "Good because it limits the risk of a downward spiral in Japan. Good because it eases global monetary conditions. Bad because it threatens to weaken the yen and cause more trade pressures on the rest of Asia. Ultimately good because all this increases the chances of early Fed ease."

But let us assume the worst: that the Japanese ecession still has further to go and will be followed by a levelling out rather than a real recovery. Japan accounts for 23 per cent of the output of the industrial countries that belong to the Organisation for Economic Co-operation and Development. This is not trivial, but it is limited enough for other member countries to take up the slack – especially

Growth records compared

considering that Japan is

1989 compared with	1950 (195	O=100)
Greece		519.5
Portugal		459.2
Spain		479,2
reland		318.7
Hungary		270,9
Soviet Union		283.3
Czechoskovakta		246.A
GDP per capita as a	s % of Assi	bria
_	1937	1980
Czechoslovakła	90	70
Hungary	63	52

Source, Japon Romal, From Socialism to Canibelium Social Market Foundation

largely a continental economy, less dependent on trade than the European

The key actors are the US and the 11 members of the European Union that are about to adopt the euro. Some US slowing down after recent exuberance is inevitable and indeed desirable. The danger point at present would be from a Wall Street fall that goes further than a healthy correction and dealt a blow to personal spending. If there were signs of that occurring, it would be time for the Fed to delight the US Congress with "cheap money

and plenty of it". But assuming that a severe US recession can be prevented, there is no reason why Europe should not continue its moderate recovery, whether or not there is a hard landing in the UK. It is however a relief that the key actor is the Fed, led by Mr Greenspan, which has a balanced approach to the dangers of inflation and recession, rather than European central bankers who have rightly diagnosed the structural nature of European unemployment but need to be prodded into seeing that depressed

demand can make it worse.

Harold Wincott once wrote

in this column that the danger of swallowing too readily a vulgarised version of Keynes in the postwar decades, when the real danger was inflation, was that he would be discredited when he was really needed. Thanks to American level-headedness we look like escaping this danger. There is a case for the Fed. the new European Central Bank, the Bank of Japan and the Bank of England to act together, despite the failure of past attempts. But so long as the Fed keeps its cool, and the European central bankers remain more rational than some of their more moralistic rhetoric would suggest, we do not need to look for the bunker. This week's Group of Seven statement, which skipped the customary sermons on sound finance and admitted that the balance of risks had moved towards deflation gives one grounds for

samuel.britton@FT.com

modest optimism.

LETTERS TO THE EDITOR

Soundness of Brazil gives it ability to deal with excessive fiscal deficit

From Mr Peter J. West. Sir. In the Lex column (September 15) it is said that Brazil is living on borrowed time and may have to

The arguments employed to reach this conclusion are seriously flawed. In particular, it is totally inappropriate to take the amount of maturing domestic debt (\$90bn) and say that neither international reserves (\$50bn) nor potential International Monetary Fund financial support are sufficient to cover it.

The short maturity and floating-rate nature of much of this debt is certainly problematic. However, these obligations are mostly held by try's excessive fiscal deficit.

nationals, and do not repre- This will allow rates to come sent claims on foreign exchange resources. Their continuing roll-over has to be ensured, a process which impose a debt moratorium. the country's sophisticated been well equipped to deal

It is true that the recent

unsustainable for long owing

with.

to the fiscal cost. However, this is an emergency measure to deal with an emergency situation. Once the elections have taken place in October, the conditions will exist for the implementation of a medium-term programme to lower the coun-

down and lead to a gradual restoration of confidence.

Unlike Russia, Brazil has a sound banking system and large tax revenues. It also capital markets have always enjoys political stability. with President Fernando Cardoso set to be re-elected The economic authorities hike in interest rates is are very competent and fully committed to the market rules of the game. Russianstyle debt defaults and Malaysian-style capital controls are out of the question.

> Peter J. West, chief economist **BBV Securities.** 1 Angel Court, London EC2R 7EL, UK

effect by high interest rates

and an overvalued pound. A

government which acts

against the interests of its

people will rapidly lose their

confidence. The high hopes

Ministers parrot nonsense on recession

From Mr S. G. Kay. Sir, I have spent more than 30 years in the paper and board manufacturing industry, and have weathered recessions in every decade since the 1960s. To paraphrase the well-known saying, "if it looks like a recession and acts like a recession, then it probably is a recession".

UK manufacturing is in real - not technical - recession. The effects are beginning to spread into the retail and service sectors. People

are beginning to fear for cant global issues, but we do their jobs as well as face not have to compound their much higher mortgage costs as annual reviews of interest rates come through.

It is bitterly disappointing that Labour ministers parrot the same nonsense as their Conservative predecessors "Warning on job losses 'hype' " September 15); in the end they will suffer the same fate unless they listen hard and find out what is really going on in the communities they represent.

of May 1997 are being dissimanaging director. 3 Pitreavie Court

Dunfermline. Of course there are signifi- Fife KY11 5PU. UK

Suspect methodology for stock market values

have been infected by the end of the silly season ("Porridge for the bears", September 5-6). Leaving aside whether drawing a trend line through stock market graphs gives one any idea of underlying value, Mr Riley's methodology is suspect. Yes, the Dow Jones Industrial Average has seen a sharply

steeper increase in nominal

1995, and extending the prior which adjusts the scale so rent value of about 4,800. But of course, the higher the Dow rises in nominal terms, the steeper the graph will become to achieve the same percentage increase.

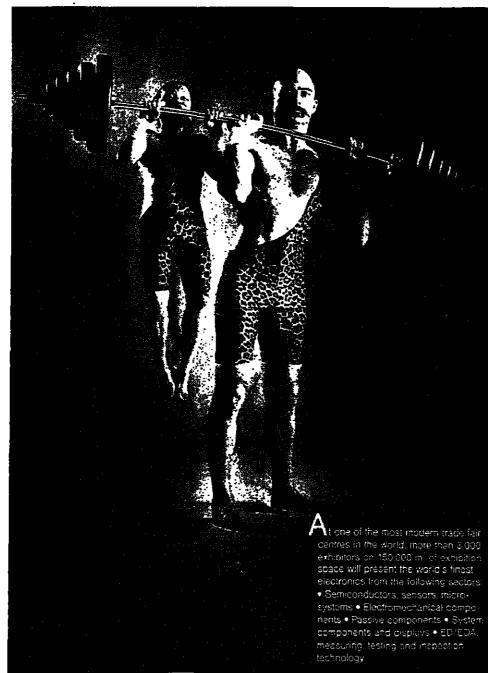
Taking the graph of the Dow back to early this century, when its nominal level was in three figures, would result in a line resembling the flight path of the space

Sir, Barry Riley seems to trend does result in a cur- steepness is proportional to percentage change, shows the Dow's rise since 1995 has been less steep than that from 1985-87, and gives an extended trend level for current "fair value" of nearer 6,000. On the same basis, the Footsie's fair value is not much below 5,000.

17 Alexander Place, value on a linear scale since shuttle. A logarithmic scale, London SW7 2SG, UK

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PERSONAL VIEW DICK LEONARD

The price that must be paid for friendship

France may find that warm relations with Germany will cool if it does not increase its financial contribution to the European Union

bust-up between Germany and France is on the _ cards autumn, irrespective of who wins the German federal election on September 27. It will put enormous strains on the Franco-German partnership which, since the days of Adenauer and de Gaulle, has been the engine room of the European Union.

Money is at the root of the looming disagreement. At the Vienna summit of EU leaders in December, the financing of EU activities for the next seven years (beginning in 2000), is due to be settled, Jacques Santer, the Commission president, and his fellow commissioners put forward their proposals more than a year ago. Theirs is hardly a free spenders' charter. They argues that the EU does not need to spend more than 1.27 per cent of Gross National Product (its current expediture limit), even though six or more new member states are likely to join in the next few years. And they forecast that total available resources will rise by 24 per cent during the period, based on some fairly optimistic views of economic growth in the EU and cen-

tral Europe.
The probability is that the Vienna summiteers will broadly accept the commission's overall proposals. Yet there is a gaping hole in the commission's document. It makes no suggestions for amending the present sharing of costs between the member states. Ever since the European Community was founded in 1958 the lion's share has been paid by Germany. For many years it made no complaint about this. It was easily the richest of the larger states and was anxious to demonstrate its deep commitment to European integration.

Yet since German reunification, in 1990, there has fits they receive from the been a big change in Germans' attitudes towards the and the EU's so-called EU. Germany is no longer one of the richest states in help poorer regions The Ger-

Net contributions by member states

Net contributors		Net beneficiaries	
Germany	10.0	Spain	6.1
Netherlands	2.4	Greece .	- 4.1
uk	23	Portugal	2.8
italy	1.3	heland	2.3
Sweden	0.7	Belgium	- 1.8
France	0.4	Littembourg	8.8
Austria.	0.2	Denmark	0.2
<u> </u>		Finland	0.1

been a heavy burden on its ing its own unofficial figbudget. In recent months ures, which are unlikely to Helmut Kohl, the chancellor. be very wide of the mark has repeatedly insisted that (see table).

Germany's net contribution It shows that Germany should be revised downwards. Gerhard Schröder, his Social Democratic challenger, has conspicuously

failed to contradict him. In Brussels the issue is being kept under wraps until the election is out of the way - but after that there will be extreme pressure to resolve it in the next four months. It took four years to settle the comparable British budget dispute in the early 1980s (in spite of Mrs Margaret

pays substantially more than its "fair" share - 25 times as much as France. which now has a markedly higher per capita GNP. It is not the only country with a grievance. The Netherlands, with a population only a quarter of Britain's, actually pays slightly more, and six times as much as France. Sweden, also, in relation to its size, pays somewhat over the odds On the other side of the

Germany is no longer one of the richest EU states in per capita terms, and the costs of reunification have been a heavy burden on its budget

Thatcher's handbag). The prospect of reaching a settlement before or at the Vienna summit does not look The commission has

always refused to publish figures about net payments and receipts of member states - that is, the difference between their financial contributions and the bene-Common Agricultural Policy "structural funds" which

table, Belgium, Luxembourg, Denmark and Finland - all of which have higher-thanaverage GNPs - are net beneficiaries, as is Ireland, whose relative wealth is

All these countries are small. Even if they were to would not do much to ease the burden on Germany and conclusion is that it is France that should be making the main effort to pay more. One of the richer EU per capita terms, and the man government recently states, with a population to the Centre for Europe costs of reunification have took the initiative in releas-

sharply increasing.

would suggest that it should put rather more than the British into the common pool. Given the track record of the French in the EU, however, it can be assumed that they will fight stubbornly and use every trick in the diplomatic handbook to avoid stumping up.
If France does not, the

price will be an increasingly frustrated German government and a risk that German public opinion (already unhappy about the prospect of exchanging the D-Mark for the euro) will become disenchanted about the whole European project.

Even without French opposition, it will not be easy to rectify the inequities in EU funding. There are two possible way of doing it. The more direct would be to give special rebates to Ger-many and Holland similar to the one enjoyed by Britain since 1984 when the earlier dispute was resolved. This would be highly unpopular with the European Commission, and probably also with a majority of member states who regard it as an unfortunate precedent, not to be repeated. So a more likely approach

would be to reshape the balance between the four scurces of EU revenue - customs duties, agricultural ments and contributions based on member states' GNP. By sharply increasing the proportion of money provided by the fourth element, the worst discrepancies could be reduced, though not

Either way, though, there will be furious bargaining later this year before agreement can be reached. If there is no agreement the ability of the EU to budget in future will be in jeopardy. become net contributors it while relations between France and Germany will become glacial. This would Holland. The inescapable pose the greatest threat to the EU in its 40 years

IE EDITOR

fives it ability

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an assignment which was likely to damage his interests. The nature of this potential conflict is very different from, say, the one where an auditor provides audit services to comprovides audit services audit servic provides audit S. Such compathis area have been reached.

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FINANCIAL TIMES

Thursday September 17 1998

The G7 wakes up

The holidays are over expansion and effective resolu-Policymakers in the Group of tion of the banking crisis, aggres-Seven leading industrial coundemand and financial markets across the world

Japan remains mired in recession. Asia's crisis has not hit bottom. Russia has collapsed. Latin America is teetering on the brink. Do policymakers understand the extent of the problem? And do they have a plan? The answers are: some of them are beginning to; and No.

Alan Greenspan, chairman of the US Federal Reserve, was off the mark first, as usual. He voiced his concerns about the global threat to US prosperity two weeks ago and returned to the theme of Japan's weakness in Congress yesterday. G7 finance ministers and central bank officials released a statement pledging to support domestic growth. This message was reiterated vesterday by Gordon Brown, UK chancellor, who warned of the threat of the emerging market crisis, not least the risks of pro-

is climbs

10 A 1888 C

Yet dramatic action should not be expected. Mr Greenspan said that, for now, there is no plan to co-ordinate interest rate cuts across the world. Hans Tietmeyer, Bundesbank president, vowed that Germany would not cut rates even if the US does.

Mr Brown travelled all the way to Tokyo to repeat the urgings of Mr Greenspan and Robert Rubin, US Treasury secretary, for Japan to come up with a credible plan for recovery. When banging heads against a brick wall, the more heads the better. But Japanese officials and politicians still seem bewildered by the collapse. Given the constraints on fiscal

sive monetisation by the Bank of tries are finally waking up to the Japan seems the only plausible threat posed by collapsing short-term solution, despite the obvious attendant risks.

Emerging markets in Asia are still in a slump, with afflicted economies weighed down by the over-hang of foreign and domes-tic debt. Korean domestic demand has fallen 30 per cent over the last year. But the regional collapse is also damag-ing the robust economies, such as Taiwan and Singapore, while a weakening yen could be an

excuse for a Chinese devaluation. After Russia's default and devaluation, the contagion has spread to Latin America, most dramatically to Brazil. Indeed, all currency pegs now look fragile. As risk premia and interest rates

rise, the panic feeds on itself. Since Latin American countries have adopted the model of liberalisation the G7 has preached, they are now asking for help. But if Brazil is to avoid being forced to abandon its peg. it will need enough money to stem capital flight. The IMF is not equipped to be a lender of last resort in such a crisis. Decisions on how to respond must fall on the leaders of the G7 themselves. They must sustain domes tic demand, but this will not itself staunch the ongoing capital

flight from emerging market. In responding to this collapse, they can either intervene on a massive scale, to support the crumbling currencles, or they can stand aside, accepting the further disarray that seems bound to follow. The choice is a hard one. But the G7 cannot evade a decision that is bound to determine the course of the world economy for years to come.

Russia's reversal

clear. Under enormous political pressure, Yevgeny Primakov, the prime minister, has apparently decided that his only option is to revert to a programme of moneyprinting. It is now hard to see anything but chaos in Russia's future.

The temptation to print money to pay the government's wage arrears is understandable. It would be extremely hard to get support for a harsh stabilisation programme, either in the Duma or among the public, without first clearing the government's

debts to its own people. Also unsurprising, though much less justifiable, is the reported decision of the central bank to bail out domestic banks by providing new credits. It is true that there is a crippling liquidity shortage in the banking sector. But most of the banks facing these problems should be closed, not bailed out. With the exception of Sherbank, the state bank, Russia's banks are mostly just vehicles for speculation. But, as many are owned by Russia's powerful oligarchs, the political will is not there to deny their requests for support.

Though the political motivations are understandable, this is have chosen.

In preventing the abuse of

conflicts of interest in financial

markets, Chinese walls no doubt

have their merits. Whether they

provide an adequate safeguard

where clients and their advisers

are caught in an adversarial con-

text is another matter. The judge

in the case brought by Prince

Jelri of Brunei against his former

accountants, KPMG, was openly

sceptical. The question is

whether his finding against

KPMG in the British courts this

week will have wider implica-

tions for financial advisory firms.

KPMG to reconstruct his per-

sonal accounts in order to fight a

legal case brought against him by

former associates. This was set-

tled out of court. He subse-

quently discovered that KPMG

had been appointed to investigate

alleged mismanagement at the

Brunei Investment Agency,

which he used to run. His con-

cern was heightened when it

emerged that some KPMG

employees who had worked on

his affairs were now engaged in

Prince Jefri had employed

Chinoiserie

Russia's new economic policy a policy likely to end in disaster. An injection of liquidity into Russia's economy will do little to boost output, since the industrial sector is largely bankrupt and will use any extra cash to pay arrears, not to increase output. Instead, a policy of "controlled"

monetary emission is all too likely to end up as an uncontrolled money-printing splurge, as the demands on the government multiply. The result would be either a return to hyperinflation or, if effective price and exchange controls can be implemented. severe shortages of goods.

Can the descent into chaos be halted by a stabilisation plan a few weeks or months down the line? This seems unlikely. It would be difficult for anything short of a currency board to gain credibility. And a currency board can only work if the government runs its budget without resorting to the printing presses; with Russia's access to borrowing cut off,

though, this seems unachievable. If these are indeed Mr Primakov's policies, then the West cannot justify providing Russia with any more funds. The money would undoubtedly be wasted All that the outside world can do is try to dissuade Russia from the dangerous path it appears to

tion to the investigation.

nel Investment Agency the judge

declared that a former client

should not be exposed to the risk

of inadvertent, careless or negli-

gent disclosure unless there were

powerful reasons. He was unable

to see any. In providing forensic

kept secret from the court.

other things it serves to under-

the big accountancy-based advi

sory firms increases the potential

for conflicts. And the further

their professional roots in audit-

ing, the more the efficacy of their

Chinese walls will be questioned.

these firms move away from

FT INTERVIEW MICHEL CAMDESSUS

Coming out fighting

The IMF's managing director defends his record to

Richard Lambert and Stephen Fidler

ichel Camdessus is in fighting form. "I love your quesso good to have your criticisms, so that I can refute them."

He is certainly not short of critics. The International Monetary Fund was meant to lead the world away from financial turmoil. Instead, instability has worsened and is developing into what President Bill Clinton said on Monday was the most serious challenge faced by the world economy in 50 years.

not doing enough to deal with the international financial crisis; others accuse him of trying to do too much. He's been accused of being too rigid in imposing constraints on the economies of trou-bled countries, and of trying to impose yesterday's solutions on today's problems.

But on one thing, most people are agreed. The contagion that started in east Asia last summer is still spreading and the IMF's efforts to fight it have failed.

Mr Camdessus rejects the charge. As bouncy and confident as ever, the French banker insists that the fund's programmes are working in South Korea and Thailand, which have rebuilt their reserves, cracked inflation and restored their exchange rates to something close to normality. There is a question mark over Indonesia. but that is to do with politics: the IMF programme itself is working well, he argues.

modest cost.

talism? Absolutely not. "There is a financial crisis going on in cer-tain parts of the world, but there is also a very powerful unanimity of support behind the basic tenets of capitalism," he says. There is always a chance that some people will seek to close up their economies and slam on controls. "But what is striking is that such a very small number of

early spring?

Asian countries to recover, the

As for Russia, well, the programme was fine: what went wrong was the implementation. And even despite this failure. Russia has made an irreversible move towards a market economy. at what for the West has been a Is this a crisis for global capi-

countries are seeking to go that

way."
Indeed, he is confident enough in the underlying health of the dragged back its neighbours. world's biggest economies that he rejects proposals for European countries to pump up demand he suggests they should keep a tighter rein on their budget defi-

So how come things today look so much worse than they did in

Mr Camdessus points his finger firmly at the political leaders of Boris Yeltsin earlier this year to warn him that Russia could not rely on monetary policy alone to fight off the Asian contagion. He told him that the country had to deal urgently with its big fiscal imbalances – mainly its failure to collect revenues. It also had to tackle the dramatic weakness of its banking system. And it had to

attack cronyism and corruption. Russia failed to respond adequately, and in the heat of the subsequent crisis it made the dreadful mistake of attempting a confiscatory debt reconstruction - a move that has sent shivers

around the financial world. Then there is Tokyo. "Here also the panorama has changed dramatically." says Mr Camdessus. Far from helping the east collansing Japanese economy has

economy. The IMF is still finalisthrough public spending: rather, ing its figures, but Mr Camdessus acknowledges that the world's that we have shown flexibility in economy is likely to grow at only adapting our programmes, not about 2 per cent in 1998, roughly half the level the Fund was predicting a year ago.

"Give me more criticisms! Go

Well, how about the charge Russia and Japan. He visited that the IMF should have restricted itself to its traditional mission - balance of payments, monetary control, and so on rather than getting stuck into the micro management of pational economies?

"Let's imagine we had followed this approach. Today, I would be singing victory." he exclaims, "In the east Asian countries, we have balance of payment surpluses, inflation below target, and exchange rates more or less where they should be, at least in Korea and Thailand.

"But what is clear today is that such measures are not nearly enough to restore sustainable growth. You also need to strengthen the banking sector, to fight corruption and monopolies and deal with other economic

changes. "But the bottom line is these countries. only to the difficulties that were being experienced by the coun-

European finance ministers should consolidate their budget position

further'

tries directly but also for the changing climate internation-

Yet the collapsing economies of Asia hardly bave the ring of a success story. Is he saying that the IMF did not make mistakes or that the organisation could not have made any difference any way?

infallible" - and the Fund is analysing the experience to draw some permanent lessons. But Mr Camdessus does not know how

As for the idea that the IMF things could have turned out bethas been too rigid, the managing ter in Asia, in view of the instru-This combination has had a director concedes that in some ments that were in place and the spectacular effect on the global cases it might have been a few degree of international co-operaweeks too slow to react to market tion that was available to help

obvious. Mr Camdessus thinks. way - that will never happen for the IMF and the international when the US and Europe are at community generally. They such different stages in their ecoinclude the need for better data on short-term capital flows and central bank reserves, improved standards for auditing and bankruptcy procedures and quicker ways of involving the private sector in crisis prevention and resolution - something which Mr Camdessus says took too long to happen in the case of South Korea.

There are few tools, he argues. to encourage speedy settlement of the large debt overhangs that have been a feature of every financial crisis since Mexico's in late 1994. While there is no "grandiose new scheme" to deal with the issue, a number of ideas are

under consideration, he says. One would authorise the IMF to call a short-term debt freeze to allow debtors and creditors time "No no I do not pretend to be to negotiate debt reorganisations - a sort of Super Chapter 11 for countries. Another would allow majority voting in bond contracts to make it easier to get agree-

ment for reschedulings among bondholders, any one of which currently has effective veto power over settlements.

The IMF remains committed to capital account liberalisation. albeit in a cautious kind of way. and Mr Camdessus has words of warning for Mahathir Mohamad. Malaysia's prime minister, who has imposed capital controls as part of his bid to shore up the economy.

"I believe he takes risks. Of course he can have short-term. positive results in terms of exchange appreciation, and of some apparent stability. But measures of this kind discourage for eign investors.

"Finally, they lead to isolation, which in a globalised world is not the way to maximise the growth

of an economy."

So what about Latin America. which has now moved into the eye of the storm? Wouldn't the global financial system be truly dysfunctional if countries like Argentina - which had done just about everything by the book were to become embroited in the

Mr Camdessus agrees that it would be a bad day if the rest of the world were to let such countries down. "But I believe this is not the central scenario. I believe that more and more the markets will differentiate among coun-

Brazil, for instance, is fighting to ward off the crisis. It has made a big cut in discretionary spending and raised interest rates very significantly. "They stand ready to do more

if the need arises." Mr Camdessus says he is not aware of any international support in the offing for Brazil. "But we would of course stand ready to help if it was at all necessary."

For its part, he says the Fund is not having to ration its money among troubled countries and it has enough resources in hand to do its job - provided "the Congress of the US does its job as invited by the President" and approves the IMF's funding. He goes on: "We continue doing our job, knowing pretty well that if the need arises our membership will help us in order to con-

Meanwhile, President Clinton and the leaders of the other industrialised countries are on the case, and talk of co-ordinated policy measures to ease the crisis is in the air. Mr Camdessus does not expect interest rates to be cut Some of the lessons are already across the board in a uniform nomic cycles - and he has words of caution for Europe's finance ministers.

> He argues they have been very relaxed on the fiscal side, just one year after adopting the stability and growth pact. "I have my objections to that, and I presume that if the world community were to agree on really reducing interest rates further, then the European ministers of finance should start by consolidating their budget position fur-

The next few weeks will be a testing time for Mr Camdessus. The financial waves are still battering Latin America, and the annual meeting of the Fund is coming at the end of the month, together with the special meeting called by President Clinton of the Group of 22 leading industrialised and emerging countries.

There is harsher criticism to come. But Mr Camdessus is ready, and well rehearsed.

OBSERVER

Citroën enters its blue period

is there a bit of one-upmanship going on between France's two nies can weigh the conflict inherbig car producers? Time was, under the stewardship of the inimitable ent in the auditor's position

before making a free choice. Jacques Calvet, when Prince Jefri had no choice. Peugeot-Citroën had a reputation KPMG's reputation notwithstanding, it is hardly surprising that as a slowcoach in announcing its financial results. But Jean-Martin he was reluctant to accept the Folz, the new man at the wheel, firm's assurances that there would be no leakage of informahas put his foot down and beat arch-rival Renault this month, In granting an injunction to unvelling a sharp improvement in stop KPMG working for the Brufirst-half performance.

Renault's riposte was pretty impressive, though: this week It reported net income of FFr4.44bn - precisely double the Peugeot-Citroën number. This was, says Renault, *pure Yesterday was Citroën's turn to

services accountants should, he felt, have similar duties to those stage a minor coup - it became of solicitors; but the case was the first carmaker to name a complicated by the fact that the model after an artist. The Citroen terms of KPMG's retainer were Picasso people carrier goes on sale next year. The name was This case is clearly unusual chosen because it's familiar around the world and stands for and will go to appeal. But among innovation and colour, said line the way consolidation among Claude Satinet, Citroën's rather

> He declined to say what had been offered to the artist's estate to induce it to permit use of the moniker. But administrators of other famous artists, let alone musicians and who knows what else, should take note.

If the Picasso proves to be a

driveaway success, the Toyota Van Gogh, the Daihatsu Hockney or the Ford Warhol may only be a brushstroke ~ and a big

No parking

The auto world has been waiting for ages to find out who's going to take over the steering wheel a Suzuki when Osamu Suzuki, the man with the bushlest eyebrows in the business, pulls over to the kerb. It's still waiting.

At yesterday's announcement of the new tie-up with General Motors, Suzuki - who has run the company for 21 years and at 68 has passed official retirement age - was denying any plans to ease into the slow lane. If a successor were needed

soon, the most likely choice would be executive vice-president Masao Toda. But he's no spring chicken either and analysts don't see who would drive the bus in the longer term. This might be seen as a succession problem. But maybe

Livid over Lee Former Singapore prime minister

opportunity.

for GM It's a succession

Lee Kuan Yew's memoirs. published yesterday, have provoked outrage in neighbouring Malaysia. Lee alleges, among other things, that former Malaysian wanted to control Singapore through the island state's dependence on Malaysian water, that members of the ruling UMNO party helped instigate the

1964 race riots in Singapore and that Malaysian leaders have tried to corrupt Singapore politicians. Malaysian premier Mahathir Mohamad has issued an angry denial, and noted that Malays had booed Singapore's team at the opening of the

Commonwealth Games evidence that relations were poor even before Lee's book. A series of soats between the

countries have generated calls in Malaysia for the water supply deal to be ended. Offending neighbours is always a risky business - especially if they can turn off the tap.

Rome rage

As European Union transport boss Neil Kinnock tries to band head together tomorrow over the Italian airport fiasco, one option for a solution has been firmly grounded by Francesco Rutelli. the resolute mayor of Rome.

The EU doesn't like Italy's plan to shift foreign airlines using Milan from cluttered but convenient Linate to expanded but remote Malpensa, leaving Alitalia's Milan-Rome service with a virtual monopoly of Linate. Malpensa can be translated as "ill thought out" - appropriate given that, even after 13 years

road or rail link over the 30 miles to Italy's financial capital. One Italian wheeze to spike the competition complaint was to force Alitalia to operate the hectically busy service out of tiny Ciampino airport near the Eternal

Sending 2m airline passengers along the historic, architecturally sensitive and congested Via Appla seemed a high price to pay for saving Malpensa's bacon. It was certainly too much for Rutelli, who has grounded the whole idea.

Spring cleaning

Imagemeisters at Sweden's Left party are going into overdrive as the former communists prepare for a strong showing in Sunday's general election.

The Left hopes to win around 13 per cent of the vote and has its eves on a role in government. So party functionaries have been told to remove all pictures of Lenin from their offices. The party has attracted droves of disaffected voters who have defected to the party from the ruling Social Democrats, and seeing the old Bolshevik still hanging around at party HQ might have put them off.

The edict came from party secretary Lars Ohly who, in best democratic fashion, hadn't bothered to tell party leader Gudrun Schyman. She was quick to offer her full support. After all, planning, there still isn't a decent | unity is strength.

Financial Times 100 years ago

An Offer That Investors Would Do Well To Avoid

We have on more than one occasion referred to Mr Claude Audoin, a gentleman so benevolent that he spends much time and many circulars in persuading investors for their own good to purchase vendors' shares in what he terms "prosperous commercial and industrial undertakings". His latest philanthropic effort is set forth in a circular offering £1 [20 shillings] fully-paid shares in the Fibrous Petroleum and Oil Fuel Company at nineteen shillings. This, he declares, is a very safe investment.

Yet we recollect that at the

time the Company was floated, a prospective investor propounded in our columns some very searching questions as to the utility of the article to be manufactured, and as to the experiments that had been made to determine its suitability. We do not recall seeing any answer to them. though they practically implied that the invention was worthless. A couple of days later a gentleman mentioned in the prospectus as a Director repudiated any connection with the Company. We suggest That Mr Audoin alone should be left to enjoy the profit from his shares.

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FINANCIAL TIMES

THURSDAY SEPTEMBER 17 1998



THE LEX COLUMN

Backyard blues

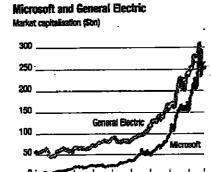
With the global financial crisis spreading to their Latin American backyard, it is no wonder US policymakers like Robert Rubin, Treasury secretary, and Alan Greenspan, Federal Reserve chairman, are suddenly paying attention.

With good reason. By almost any measure, the US economy is more exposed to Latin America than to Asia or Russia. Latin America accounts for 18 per cent of US exports, against 17 per cent for Asia (excluding Japan), and \$20bn of foreign direct investment against \$15bn. Around 12 per cent of US companies' foreign profits come from the region, almost twice as much as from Asia's Tigers. And while European banks took the lead in lending to Russia and much of the Far East, US banks dominate south of the border. Their total cross-border exposure to Latin America, including loans, securities and derivatives, amounted to \$79bn as of March, compared with \$51bn to Asia and less than \$7bn to Russia.

While that all sounds worrying, Latin America is not yet in anything like as much trouble as Asia or Russia. Local economies are slowing and so are US imports, but Brazil and Argentina are still recording positive gross domestic product numbers, while Chile should grow 3-4 per cent in 1998. The US banks' exposure looks big, but is largely through straight lending and trade finance rather than trading. And if the crisis deepens, it will only increase the pressure on the US to organise a rescue.

Another upward ratchet in Japan's forecast bad loan problem is hardly surprising. With the economy still in reverse and little capital to write the bad loans off against, it could hardly be otherwise. Still, the numbers are no less depressing, especially when set against the continuing political impasse over bank restructuring.

Dealing with the crippled Long Term Credit Bank of Japan was supposed to set the tone for the government's handling of lectual property and brainpower has the systemic bank crisis. But the opposition's hostility to the use of public funds to rescue LTCB has held things up. In as much as this has encouraged resistance to the wider use of public funds in tidying up Japan's banking mess, it has done the country a disservice. There is no way out



of the current quandary without using public funds.

Keizo Obuchi's government must bear the brunt of the blame. Feeble protestations about LTCB's solvency have been fatally undermined by lack of disclosure and a whiff of cronyism. The opposition has been right to call for greater disclosure and a bank supervision agency independent of the ministry of finance. Right now it has the upper hand, with Mr Obuchi under strong pressure to nationalise LTCB. Given the government's previous steadfast insistance that LTCB was solvent, this could be a terminally damaging political volte face. Incredibly, when he meets President Bill Clinton next week, Mr Obuchi may be the weaker party.

It was probably inevitable: Microsoft is now the world's most valuable company. Although down from their recent highs, the group's shares have still risen by twothirds in 1998 and this week its market capitalisation, now \$266bn, crept past General Electric's \$263bn. Since Microsoft generates only 15 per cent of GE's revenues and 60 per cent of its profits, this is an apt reflection of the ascendancy intelgained over manufacturing brawn in today's economy.

Of course, Microsoft's rating is rich by conventional standards. At 44 times 1999 earnings, and with earnings growth of trading at 2.2 times its growth rate. This right way to go.

compares with around 1.2 times for the software sector. But investors have few credible alternatives. Until the next great thing in software comes along, they will continue to flock to Microsoft's visible earnings, fat margins and dependable

growth - particularly in uncertain times. The thorn in this rosy scenario is the impending antitrust trial, which Wall Street seems determined to ignore. Of course, Microsoft may emerge from this largely unscathed. But the group's quasimonopolistic returns depend to a large extent on it continuing to integrate new features into its software applications. This is exactly the ability the Justice Department is trying to remove.

Lonrho Africa

As storms rage in other emerging markets. Africa for once appears a relatively safe port. Since the start of the year, the Flemings Africa index (including South Africa) has outperformed the IFCI's composite index by 28 per cent. And, as shown by yesterday's move on Lonrho Africa - a rum collection of non-mining businesses demerged from Lourho in May - there is still some investor appetite for fresh emerging market risk. There is still plenty of cash looking to squeeze value from restructuring plays and harvest the fruits of African liberalisation and privatisation.

Blakeney Management, an African fund management house, and its concert partner, African Lakes - part-owned by funds controlled by George Soros - are a case in point. By snapping up around 6 per cent of Lonrho Africa's shares in the market they are in a strong position to force change or threaten hostilities. However, their wish to impose three non-executive directors on the company seems a little gung-ho. Taken to extremes, such logic implies monstrous boards with 50-odd non-executives.

Still, with Lonrho Africa's shares trading some 40-50 per cent below most break-up valuations, there is lots of value to be released and few can match Blakeney's experience in the long grass of Africa. For a group with just £42m (\$69.3m) in operating profits in 1997 to attempt a mini-conglomerate structure with five unrelated legs is rash. Focusing perhaps 20 per cent next year, the stock is on the jewels and selling the tat is the

Brussels fines shipping companies a record \$298m.

Groups accused of abusing position and operating price-fixing cartel

By Neil Buckley in Strasbourg and Charles Batchelor in London

European Commission yesterday imposed record fines totalling Ecu273m (\$298m) on 15 of the world's largest shipping lines, which dominate container trade across the North Atlantic

The Commission - the European Union's Brussels-based executive said the lines had abused their dominance of the market and operated a price-fixing cartel.

The fines on the members of the so-called Trans-Atlantic Conference Agreement (Taca) beat the previous record total of Ecu248m imposed on a cement-making cartel in 1995. The Commission's largest individual fine. Ecu102m, was imposed this yearagainst Volkswagen, the German carmaker, for competition abuses.

would appeal against the fines to the European Court of Justice, accusing the Commission of "numerous errors of fact, procedure and law".

fined between Ecu6.88m and

The Amsterdam-based Taca said it

Most of the 15 companies were

Anglo-Dutch container line, must pay Ecu41.26m, reflecting the fact that many of the abuses took place before P&O and Nedlloyd tie-up.

Lord Sterling, P&O chairman, joint partner in P&O Nedlloyd, said yesterday: "We were very close to agreement with the Commission on how the whole thing could be settled. I find it disappointing that fines of this magnitude have been levied

on issues from the past." The fines arose following a complaint by the European Shippers Council - which represents companies exporting goods - that between 1993 and 1995, Taca and the Trans-Atlantic Agreement, Taca's predecessor, were able to impose price rises of more than 80 per cent. The US Federal Maritime Commission estimated price increases announced

shippers \$65m-\$75m more than they paid in 1994. Shippers welcomed the decision yesterday - though even they said the level of fines appeared harsh. The fines are the latest episode in

by Taca for 1995 would have cost

Ecu27.5m, but P&O Nedlloyd, the a long-running stand-off between the Commission and shipping lines.

The Trans-Atlantic Agreement was prohibited by the European Commission as anti-competitive in 1994. In the same year, Taca members asked Karel Van Miert, EU competition commissioner, for exemption from an EU ban on cartel agreements, under special EU rules

for shipping conferences.

But Mr Van Miert found that only price-fixing arrangements on transport between northern Europe and the US could be exempted.

Three other types of price-fixing, on inland transport services and prices paid to freight forwarders, as well as agreements on the terms and conditions of service contracts. breached the EU's anti-cartel law. Other companies fined yesterday

were Maersk of Denmark, Sea-Land of the US, OOCL of Hong Kong, NYK of Japan, Hanjin, Hyundai and Cho Yang of Korea, MSC of Switzerland, Hapag Lloyd of Germany and the German-Korean DSR/Senator, Singapore's NOL. Mexico's TMM/Tecomar, Sweden's ACL, and POL of Poland.

Japanese banks' bad debts 'may be equivalent to 30% of GDP'

By Paul Abrahams and Michiyo Nakamoto in Tokyo

Standard & Poor's, the US ratings agency, yesterday warned that problem loans in the Japanese banking system could be equivalent to as much as 30 per cent of the country's gross domestic product - nearly twice official estimates.

The agency said the banks' bad debts could be as high as Y151.370bn (\$1.122bn) compared with the Japanese government's figure of Y87.000bn.

The warning underlines the severity of the debt crisis that is threatening to overwhelm Japan's financial system, and will add to pressure on the government to implement measures to solve the problem. Legislation aimed at helping the banking sector deal with problem loans is stalled in parliament.

The banks are facing huge losses

flow, hit by the worst recession in 50 ing Liberal Democratic party on years. In addition, with the Nikkei average of 225 leading Japanese stocks at just 14,197, most of the banks will probably also have to declare further substantial losses on . equity holdings in their interim results to September 30.

The deterioration in the banks' financial strength was highlighted by yesterday's decision by S&P to downgrade the outlook of Dai-Ichi Kangyo, Industrial Bank of Japan, Sanwa Bank and Fuji Bank from 'stable" to "negative". Separately, Moody's, another ratings agency, put the ratings of Dai-Ichi Kangyo, Mitsubishi Trust and Toyo Trust on

review for possible downgrade. High-ranking US officials in Tokyo the critical banking legislation. However, the political debate remained caused by excessive lending in the deadlocked as the opposition contin-

what to do about ailing Long Term Credit Bank of Japan.

Naoto Kan, head of the Democratic party, the main opposition group. warned that it was time for the LDP to make a final, political decision on the banking bill. Most of the opposition, which controls a majority in the upper house of parliament, is against the use of public funds to prop up LTCB, whose shares ended 34 per cent down yesterday at a

record low of just Y25. The LDP offered a further concession to opposition demands that banks facing imminent insolvency should be closed, by proposing that LTCB could be nationalised.

Meanwhile, Masaru Hayami, Bank urged the Japanese government to of Japan governor, claimed the centry to reach a deal with the oppositral bank could extend a special loan tral bank could extend a special loan tion and speed up implementation of to LTCB. This, he insisted, was possible in certain cases under existing

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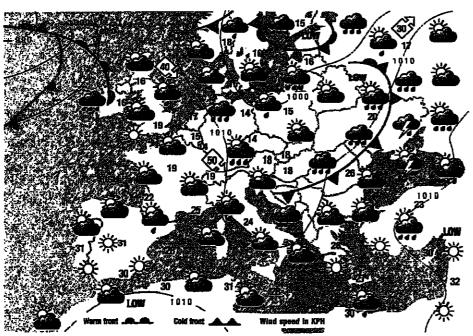
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FT WEATHER GUIDE

Europe today

Much of Scandinavia will be cloudy and wet but there will be sunny spells and showers in the south showers as low pressure persists Central Europe will also have rain or showers and will be cool. sunshine, with a few showers in the mountains. The Iberian Peninsula will be warm and sunny with the odd shower in the north. The Greece will be sunny and warm. Five-day forecast

Scandinavia will have sunny spells and showers but steadier rain will move in on Sunday. Western Europe will become sunny and warm over the weekend but there will be overnight fog and thunderstorms in southern Spain on Sunday. The Eastern Mediterranean will have thundery showers but ttaly will be dry.



TODAY'S TEMPERATURES



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- FINANCIAL TIMES -----

COMPANIES & MARKETS

THURSDAY SEPTEMBER 17 1998

brother **PRINTERS** FAX MACHINES

INSIDE

EMI withdraws from contest for PolyGram's film division

EMI, the UK music group, has decided against bidding for PolyGram Filmed Entertainment, Europe's largest film producer and distributor, on the eve of the final deadline. PFE, which has backed box office hits including Trainspotting and Bean, went up for sale in May after Seagram, the Canadian entertainment company, bid \$10.4bn for PolyGram. Page 22

Outlook for sugar less than sweet With sugar prices at around 10-year lows, Russia's economic woes and currency devaluations among producing countries have hit the global market. The sector is plagued by oversupply, compounded by favourable weather in sugar growing regions and the fact that markets such as India and China are approaching self-suffi-

Russian crisis hits Lithuania

Lithuania Lith Index

The Lithuanian bourse has fallen to unprecedented lows following the Russian debt default and the turmoil in other emerging markets. So far, Lithuanian banks, heavily weighted in the Litin index, do not appear to have lost much money

in the de facto default on Russian government debt. But their loans to companies exporting heavily to Russia could be substantial. About 24.5 per cent of Lithuania's exports go to Russia, and several companies have said they will be hit by the economic crisis. Page 38

Banks at odds over euro payments Across many segments of the market, financial institutions preparing for monetary union have been working together to try to make sure nothing goes wrong. But in the payments business, where the euro will bring dramatic changes, competition is furious, not just between banks but also between different payments systems. Business and the euro; Page 25

Property stocks lift Singapore

Strong demand for property shares sent Singapore ahead almost 5 per cent, with the benchmark Straits Times index closing up 44.47 at 946.75. The sector surged after another of the big four banks cut its prime rate by a quarter of a percentage point to 7.5 per cent. Page 38

Coffee looks for new markets

The coffee industry is planning to repeat this vear's promotional campaign in Russia and China next year. In China, the International Cofcoffee "keeps you awake at night, heats the blood and is bad for the skin", but believed strongly in the beneficial effects of tea. Page 28

COMPANIES IN THIS ISSUE

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10 Lockheed Martin 34 Mandarin Oriental Campbell Soup 19 Motorola 34 NTT DoCoMo Courtaulds 18 Nomura International Dah Chong Hong Dai-Ichl Kangyo 18 P&O NedBoyd Dairy Farm 34 Parc Group 10 Rio Aigom 19 · Suzuki Motors 16 Tokyu Ind Bank of Japan 19 Toys RUs 18 Venator Japan Airlines 19 Warburg Dillon Read

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Metro launches \$2.7bn shake-up

America's corporate

bottom line starts

to show the strain

Reporting season looks like being shot through

be collateral damage to labour strife at General Motors

of large financial institutions ful of industries, the profit

have all warned that their slowdown has spread in recent

profits for the third quarter weeks to companies whose for-

ber one culprit, according to a Nucor, the steel producer

America, which provides an slashed prices on its flat-rolled

rate profits, will not be felt. Asian imports that had just

until later quarters. Domestic reached American shores.

added to the problems.

drawing to an end, chief execu-

dictions. A more sombre mood

has descended and the corpo-

rate profits glass, once half-

However, there are clear

signs of the economic malaise

from overseas creeping across

the American corporate heart-

land. Once isolated to a hand-

Commodity-based industries

were the first to feel the pinch

this year. Those involved in

energy or basic materials like

steel and chemicals saw Asian

demand for their products

evaporate: this summer, they

also began to feel the impact of

cheaper Asian imports attack-

which generally leads pricing

in the US market, last week

steel in an attempt to counter

to Asia or Latin America.

with profit warnings, writes Richard Waters

Metro, Europe's biggest retailing group, yesterday launched a DM5bn (\$2.7bn) reorganisation to simplify the structure of its supermarket

arnings.

By Graham Bowley in Frankfurt

The move is intended to sharpen the German company's appeal to stock market nvestors, and signals its intention to build a powerful Europe-wide retailing business. Metro said it would pay for the restructuring with a capital increase - expected to be worth around DM5bn -

later this year.

corporate America's bot-

tom line from the financial

implesion in the world's

emerging markets is starting

to show. And, with domestic

product markets in the US

only just beginning to reflect

much worse - putting a lid on

any revival in the stock

Evidence of the impact has

spread in recent days. Leisure

and entertainment companies

Hilton Hotels and Walt Disney,

farm equipment makers Case

and John Deere and a number

It is still three weeks before

the earnings reporting season

gets into full swing: with so

many announcements coming

this early, the bad news could

even equal the record number

of profit warnings of the sec-

ond quarter, says Chuck Hill,

director of research at First

Asia has remained the num-

number of companies. The

impact of a slowdown in Latin

even bigger slice of US corpo-

Call.

Holding, its secretive Swissbased Cologne-based Metro AG is to and shopping empire and boost the jointly-owned Makro cash-and-carry chain.

> These supermarkets, which stretch across western and eastern Europe including France, Italy, UK, Poland and the Czech Republic, were acquired fully by the Metro group last year for DM4.8bn from its long-standing partner SHV, the Dutch group. Metro Holding continued to hold a

stake in the chain.

ship structure with Metro satellite wholesale and trading service companies in the US. parent company. Mexico and Europe. "This is an important step to improve pay about DM5bn to Metro the trust of the stock market Holding to take full control of and the transparency of the company," Metro said.

EUROPE'S BIGGEST RETAILER WILL BUY OUT MAKRO CASH-AND-CARRY CHAIN FROM SWISS-BASED PARENT COMPANY

The move will boost transparency for investors as Metro full profits from the cash-and-carry businesses, is listed on several stock exchanges, including Frankfurt. Metro Holding, which owns 55 per cent of Metro AG, is not listed.

Under Klaus Wiegandt, who took over as sole chief executive after a boardroom reshuf-

embarked on ambitious international expansion, spurred partly by the saturation and stagnation of its German domestic market. It had sales last year of DM64.1bn and net profits of DM623m.

The Makro acquisition has strengthened Metro's position across Europe and thrown down a direct challenge to other European retailers. It has since made other smaller acquisitions within Germany, including the Allkauf hypermarket group, and the Kriegbaum retailing group.

At the end of last year Metro warned of a consolidation in the European retailing sector

control of other jointly-owned fle early this year. Metro has under pressure from increased sumer demand. The warning coincided with the entry of Wal-Mart, the world's biggest retailer, into the European retail market when it agreed to buy Germany's Wertkauf hypermarket chain.

Metro is itself a product of consolidation in Germany. It was formed in 1996 by the merger of the cash-and-carry, department store and supermarket interests of the Metro. Kaulhof and Asko groups. The original Metro group was founded in 1967. Metro Holding, which remains Metro's single biggest investor, is controlled by three families.

GM raises its stake in Suzuki to 10%

By Alexandra Harney in Tokyo

General Motors, the world's second largest carmaker, is lifting its stake in Suzuki Motors, the Japanese car and motorcycle group, from 3.3 per cent to 10 per cent in an attempt to expand its presence in the compact and mini-car markets, particularly in Asia. The US group's investment of Y42.3bn (\$315m) will make it Suzuki's largest single share-

The two groups are considering developing new compact cars aimed at markets in China and south-east Asia, including a farm utility vehicle and a small-engine car for urban use, said Jack Smith, GM chairman. He declined to comment on a target roll-out date for the new models.

Suzuki specialises in development and production of smaller cars and mini-cars. which are compact vehicles coulpped with 660cc engines. The developing world is clamouring for even more models than we already offer ... and the small and mini-car market was an area where we felt vulnerable," he said.

It was unclear whether the groups were planning new facilities as part of the enhanced alliance. Suzuki said there was no need to build a new plant, but GM said it would not rule out that possibility.

The agreement will also enhance the groups' existing technological and production alliances. In May, Suzuki and GM agreed to join to develop a new mini-car for the European market. They already manufacture and assemble small cars in South America and Canada through CAMI Auto-

motive, their joint venture. Suzuki would not take an equity stake in GM as part of the alliance, said Osamu no GM executives would join Suzuki's board.

GM is raising its stake through Suzuki issuing 33.6m new shares in a third-party share allotment in November per cent premium to the close the day before the deal was announced. It is paying Y1,258

Mr Suzuki said vesterday's deal would make the two groups "equal partners to



With the third quarter of the ket analysts - to face the realindustries are being dragged

"he biggest financial services groups, which had continued to notch up profit records in the first half of the year, have taken a pounding in financial markets. Also, companies which are dependent on the health of commodity industries have begun to stumble. They ing their domestic markets, include Harnishfeger, maker of paper-making equipment and Case and John Deere, suppli-

ers of agricultural machinery. This spreading problem has delivered a double-whammy to the stock market. Besides forcing investors - and stock mar-

corporate calendar closing at ity of slowing earnings, it has Wall Street analysts have cut the end of September, new also put a spotlight on overly optimistic expectations of long This is something that Alan

Greenspan, chairman of the Federal Reserve, has warned of for some time. US corporate earnings grew at between '16 and 23 per cent a year in the mid-1990s before a slowdown set in: they increased 8.4 per cent in 1996 and 11 per cent last year. For such rates of growth to be sustained corporate profits would have to account for a larger slice of the American economic pie something that seems markets, it is hard to see how unlikely, given their histori-

cally high share at present.

their forecasts for the third quarter and now expect earndard & Poor's 500 to grow only 0.5 per cent for the period, compared with the 10 per cent they expected two months ago. However, Wall Street is still

expecting corporate profits to bounce back and climb by 11 per cent in the final three months of this year, according to Mr Hill - followed by increases of 15 per cent and 20 per cent in the first two quarters of 1999. Short of a miraculous recovery in the emerging such expectations can be met.

per share.

work on an equal basis".

Handyphone joint venture to cost NTT DoCoMo \$3bn

By Paul Abrahams in Tokyo

NTT DoCoMo, the world's largest mobile telecommunications operator, expects the cost of buying out its partners in its personal handyphone service business and the losses generated by the operations to reach Y400bn (\$3.05bn) this

DoCoMo's handyphone operation, known as NTT Personal Group, has become one of the biggest concerns for prospective investors in the mobile elecoms operator's initial public offering. Expected to raise about \$15bn next month, the IPO is one of the largest global issues this year.

DoCoMo owns 48 per cent of NTT Personal Group, while NTT, its parent, controls 28

However, in May the other

chu and Marubeni, the trading houses, and Cable & Wireless of the UK, decided to sell their stakes to DoCoMo and NTT for an as yet undecided sum. After the deal is completed

DoCoMo and NTT will own 63 per cent and 37 per cent of the

never made a profit in its three years of operations. The handyphone operation, which was supposed to find a niche as a limited range and low-cost mobile telecommunications service, has been disappointing because it offered poor communication in buildings and on the move, while the cost of wider-range cellular telephony was falling.

The handyphone operation has posted cumulative losses that time were Y217bn.

shareholders in the handy- of Y229bn in the past three phone arm, which include Ito- years. Analysts estimate it will lose more than Y80bn this year and nearly Y60bn next year. It is unclear what the impact of handyphone will be on DoCoMo's earnings: last year DoCoMo saw earnings before

interest, taxes, depreciation

and amortisation of Y816bn.

The chances of DoCoMo's NTT Personal Group has handyphone operation making a profit are remote. The num ber of subscribers using it has fallen for the past 10 months as users switched to cellular telephones using global system for mobile telephony - GSM the industry standard.

Analysts believe the market could shrink 6 per cent this year. At the end of the last financial year. NTT Personal Group's liabilities exceeded its assets by Y198bn. Its assets at

Upheaval predicted for buy-outs

By Clay Harris, lanking Correspondent

The financial turnoil sparked by Russia has put a "TNT bomb" under some elements of the buy-out market, according

finance techniques in the UK. Guy Hands, managing direcprices and big changes in the structure of deals and the duration of investments.

be less downside," he said.

Managers would stand to require much more equity make less profit, but would because banks were less willalso be asked to take less risk ing and able to lend money, he likely to act with industrial thamselves. "You'll get less rich, less quick but there will

Hands has overseen the investment of \$15bn on a diversified cent were being reduced to 50 portfolio of assets and expanded the frontiers of asset securitisation in the UK.

Nomura has made big profits on buying and selling Angel to the man who has led a Trains, the railway leasing transformation of takeover company, and AT&T Capital Equity, another leasing group. It owns William Hill betting tor of Nomura International's shops, the Thorn consumer principal finance group, said electronics rental chain, more yesterday he expected lower than 4,000 pubs, and 57,000 homes bought from the UK's Ministry of Defence.

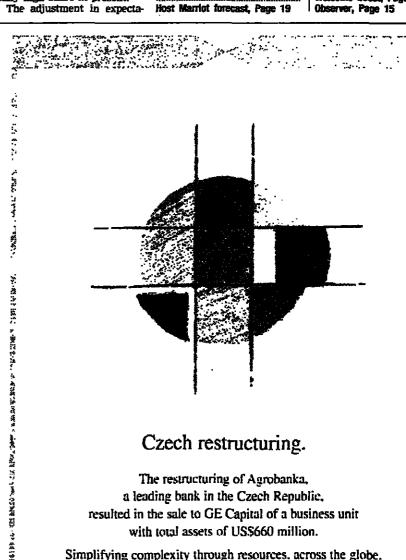
Future transactions would

Deals which would have had

and those formerly at 70 per per cent. As a result, prices would be lower than many sellers were

expecting. Nomura itself was taking a longer view on its current investments and felt under no pressure to conclude new deals. "To do takeovers, one has to choose businesses very carefully where one can add substantial operating value. To do deals based on financial engineering in the current environment is frankly

Financial buyers were more partners in sectors such as energy, where "the combina-85 per cent leverage were now tion is ideal, the only question In less than four years, Mr being discussed at 60 per cent, is one of price".



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INVESTMENT BANKING

shed jobs in Asia

NEWS DIGEST

Warburg Dillon Read to

Warburg Dillon Read yesterday became the latest investment bank to announce lay-offs in the Asia-Pacific

region. The European investment bank is to cut 40 jobs

from its 320-strong Asian equities research and sales team. Warburg Dillon Read said the redundancies were

UBS and partly because of market conditions in Asia.

partly due to a post-merger review of the integration with

Stock markets throughout the region remain weak and vol-

atile, keeping turnover thin and primary market activity to a

minimum. The resulting depressed income has prompted

several investment banks and stockbrokers to lay off staff.

jobs, and a further 10 at Nikko Research Centre in Hong

Yesterday Nikko Securities (Asia) confirmed it had shed 30

More cuts are expected to follow in the Singapore office.

Warburg Dillon Read said the job losses would not affect

its capabilities and stressed it remained committed to the

in video

Hongkong Land sees 18% decline

By Louise Lucas in Hong Kong

Hongkong Land, one of the territory's biggest landlords. yesterday reported an 18 per cent decline in net profits, of the bull market last June, from US\$206.4m to and Hongkong Land said it US\$168.9m, as the Asian eco- remained "cautious" and nomic turmoil and recession

in Hong Kong took their toll. The group also made provisions of \$30m against certain property trading investments and an Indonesian toll occupancy rates and lower

Hong Kong's first report- ties. ing season of the year has profits and hefty provisions.

Prices are around half the levels achieved at the height would not rush into new investments.

Profits were at the lower end of analysts' expectations, reflecting reduced rents at investment proper-

The bulk of the group's prime business district of

taking one of the biggest such as investment banks and retailers, have cut back because of the weaker business outlook.

This, in addition to the fall in capital prices, has put pressure on rents and in some cases forced landlords to renegotiate contracts mid-

"Operating conditions are pretty tough in the office and retail sector," said Ian Durant, finance director.

However, he added that the office vacancy rate was been marked by declining properties are located in the an acceptable 4 per cent, although the oncoming sup-

with the property market Central and many clients, ply could push this higher. The group pointed to its taking one of the biggest such as investment banks. The full effect of falling strong balance sheet - with rents will not be felt this year, as the company works on a three-year cycle.

In the retail sector, where several groups have quit Hong Kong or reduced their presence, occupancy has fallen to 93 per cent. Hongkong Land did not

decline is likely.

revalue its property portfolio believes its value has fallen by 35 per cent since the beginning of the year, in line with the Grade-A market in Hong Kong. It says further

cash of over \$1.3bn and net borrowings of \$450m - but Mr Durant said the group would be cautious about spending in the current envi-

to develop office and other building projects, and is set to refurbish one of its Cenat the halfway stage, but tral retail blocks and completely rebuild an adjacent office and retail block.

Hongkong Land continues

Earnings per share fell 15 per cent, from 7.85 cents to 6.68 cents. The dividend is held at 3.50 cents.

Dairy Farms doubles at halfway

By Louise Lucas

Dairy Farm, the international retailing arm of the Jardine group, yesterday reported net profits of US\$86.8m for the six months to June 30, more than double the \$39.9m achieved at the same stage last year.

The results, which were in line with expectations, were boosted by a \$38m net gain from the disposal of European supermarket interests: Somerfield/Kwik Save in the UK and Simago in Spain.

Smon Keswick, chairman indicated that more acquisitions could follow the disposals - although focusing more firmly on the Asia Pacific region which is the Jardine group's traditional home

"With our strong balance sheet, the group is wellplaced to take advantage of new investment opportuni-ties in the more difficult economic conditions in Asia Pacific," he said.

Dairy Farm has already made a start on acquisitions, paying \$36.4m for a 32 per cent stake in one of Indones ia's largest supermarket groups, Hero Group, earlier this year - shortly before Indonesia's financial crisis became political and mobs took to the street, looting and burning shops.

Yesterday Dairy Farm said the social unrest had not impacted performance at

Dairy Farm saw strong interim performances from its main retail businesses in Australia, Hong Kong and New Zealand. However, this was partly offset by adverse exchange rate movements. higher corporate overheads and a reduced contribution from Maxims, a fast food res-

taurant operation. The underlying performance shows Dairy Farm finally shrugging off many of the problems that plagued it in the past: the sale of Simago removes the long running losses from Spain and Franklins, the Australian supermarket, is performing strongly after the restructuring and change of focus on to fresh produce.

Earnings per share more than doubled, from 2.26 cents to 4.74 cents. However. tinuing activities rose more modestly, from 2.51 to 2.57. The dividend is to be held

Pertamina sees end to revamp Pertamina, the Indonesian state oil company, will complete its restructuring by next April, according to Soegianto, president. He said restructuring of the refining units would

region, Louise Lucas, Hong Kong

be completed by October, while the exploration and production units and the domestic retail marketing units would be reorganised by April. Samto Utomo, Pertamina's processing director, said last month that the company was turning its refineries into strategic business units to become profit centres.

Mr Soeglanto said yesterday the idea of strategic business units would be extended into the exploration and production divisions as well as the domestic retail market. Pertamina owns all nine refineries in Indonesia, which have a total capacity of about 1.05m barrels a day. It also has a monopoly over the retail market.

There are plans to open up the downstream sector, but Kuntoro Mangkusubroto, oil minister, had said that initially only companies with refining capacity in Indonesia would be granted access to the retail market. Reuters, Singapore

SOUTH KOREA

Bank to merge with subsidiary

Korea Exchange Bank said it would merge with its subsidiary Korea International Merchant Bank within the year, as part of a plan to restructure its subsidiaries. Korea Exchange said it expected its total assets to rise to Won63,000bn (\$45.6bn), and that it would be able to provide universal banking services, after the merger. Under the restructuring, Korea Exchange will shut its research institute and merge KEB Credit Service and KEB Finance. It also said it would maintain the operations of its other units, including leasing, investment-trust management and futures. AFX-Asia, Seoul

HOTELS

Jardine arm slides 72%

Declining travel and tourism in Asia cut interim net profits at Mandarin Oriental International, the hotels arm of the Jardine group, by 72 per cent, from US\$33.9m to from 1.65 cents to 0.50 cents. Given the low share price, shareholders will not be offered a scrip alternative.

The poor performance was attributed to a dearth of travel and tourism, largely a result of the Asian financial crisis. In Hong Kong, where the group has two hotels, its share of the dwindling market increased. Devalued currencles and weak markets hit subsidiaries in Indonesia and the Philippines, although Mandarin Oriental Manila increased its profits thanks to cost controls.

The group said it suffered "significant falls" in profit contributions from its hotels in Singapore and Macao, which it also attributed to ailing travel markets. Earnings per share fell 72 per cent, from 4.87 cents to 1.36 cents. Louise Lucas, Hong Kong

AIRLINES

Garuda wins debt agreement

Robby Djohan, president of Garuda Indonesia, the stateowned airline, said Airbus Industries had agreed to roll over Garuda's debt worth \$750m to three years, but rejected a proposal for a debt cut to \$600m. "Finally we agreed on the size of \$750m and [the] three-year rescheduling," sald Mr Djohan. Earlier this year Garuda said it may return half of its fleet to leasing companies and sell assets to avoid being grounded altogether.

This week, EVA Airways of Taiwan said it had to cancel

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E SELECTION STREET STREET

a plan to purchase 12 Airbus aircraft because of the weak travel industry. "Last year we signed a letter of intent with Airbus for a firm order of six aircraft and an option for another six . . . Now this plan is off," EVA said. AFX-Asia

COSMETICS

Shiseido in HK venture

Shiseido, the Japanese cosmetics company, has set up a sales joint venture in Hong Kong with Dah Chong Hong, a local trading company. The joint venture is capitalised at HK\$123m (US\$15.9m) and will be equally held by the two partners, according to the Japanese group.

expectations of a re-emergence of Asian economies. The

GM-Suzuki alliance a welcome boost for Asia car industry

Yesterday's deal comes as other groups are considering their positions in the region, writes Alexandra Harney

the US conglomerate, and Suzuki Motors, the Japanese car maker, is a hopeful sign in dreary times for the Asian automotive industry.

rescue of an ailing Japanese ny's huge debts.

global alliances have become a necessity in the industry.

The strategic alliance between the two companies, agreed yesterday it just seemed like a natural between General Motors, fit." says Peter Boardman, industry analyst at Warburg Dillon Read in Tokyo.

Suzuki, which recorded Y9.53bn in net earnings on turnover of Y1,179bn last year, insists the move was not prompted by financial after Daimler-Benz's deal

The deal builds on existing joint ventures and tie-ups in Canada, but leaves Suzuki's management untouched. Even though GM will become the Japanese company's largest shareholder, it chose not to send any execu-GM's decision to inject tives to join the Suzuki board.

Also, Suzuki will not become a member of the GM the German concern. Saab of Sweden, and Holden, based nese car and truck manufacturer of which GM owns 37.4

According to analysts. these decisions will allow Suzuki greater leverage in

FIDELITY FUNDS

Société d'Investissement à Capital Variable Kapsuliis House, Piace de l'Etoile,

RC Luxemboury B 34036

NOTICE TO SHAREHOLDERS OF FIDELITY FUNDS

- EUROPEAN BALANCED FUND

- EUROPEAN BOND FUND

FIDELITY GESTION DYNAMIQUE

FIDELITY GESTION EQUILIBRE

On 1st January, 1999 the EURO will be adopted as legal tender of the initial members of the European Monetary Union (EMU). Therefore, the board of directors of Fidelity Funds has decided the following

Fidelity Funds - European Balanced Fund (DM)

The name of Fidelity Funds - European Balanced Fund will be changed into Fidelity Funds - Euro Balanced Fund on 18th September, 1998.

The investment objective of the balanced funds in general and of Fidelity Funds - Euro Balanced Fund in particular have been restated as follows:

pay current income achieve long-term growth of both capital and income.

2. The investment objective will be amended as follows:

dated prospectus is available free of charge.

By Order of the Board of Directors

Balanced funds are the most conservative form of growth investment and invest in a diversified portfolio of equivies, bonds and ancillary cash. Balanced funds aim to:

The Euro Balanced Fund invests primarily in equities and bonds issued in those countries which are members of the European Monetary Union (EMU) and primarily denominated in Euro or in the national currency of an EMU country, Initially, this will be the eleven member countries but if other countries join the EMU in the future then investments in these countries may also be considered for inclusion in the fund.

Fidelity Funds - European Bond Fund (ECU)

The name of Fidelity Funds - European Bond Fund will be changed into Fidelity Funds - Euro Bond Fund on 19th October 1998.

Fidelity Punds - Euro Bond Fund (ECU) invests primarily in bonds issued in those countries which are members of the EMU and primarily denominated in Euro or in the national currency of an EMU country. Initially, this will be the eleven member countries but if other countries join the EMU in the future then investments in these countries may also be considered for inclusion in the fund.

Fidelity Funds - Fidelity Gestion Dynamique (FRF)

The investment objective will be amended so as to reflect that the aim of Fidelity Gestion Dynamique is to provide long-term capital growth primarily through investment in equities. The fund will suit those investors who are looking for the long-term rewards of equity investment and are prepared to accept the higher risk associated with this type of investment.

Fidelity Funds - Fidelity Gestion Equilibre (FRF)

The investment objective will be amended so as to reflect that The Gestion Equilibre Fund is managed

with a more conservative approach towards providing capital growth primarily through investment in a combination of equities and bonds. This fund will appeal to investors seeking capital growth but who would prefer a lower level of risk than that normally associated with equity investment only.

Shareholders are advised that pending implementation of the above changes they may request redemption of their shares free of change or switch their shares into other funds of Fidelity Funds. An up-

Investments

B.P. 2174, L-1021 Luxem



In agreement: John Smith (right), GM chairman, and Osmau Suzuki talking yesterday

For its part, GM will much lower than those of domestic economic downand mini-cars, which have an engine capacity of 660cc. Suzuki, which holds 33 per

strengthen GM's position in Asia, where it is said to be mulling the purchase of a stake in Daewoo,

"We are, we have been, and we will continue to consider one-off arrangements when it makes business sense," said Jack Smith, GM president. The group aims ultimately to double its sales in Asia, from 5 per cent of

In the short term, the deal could be negative for cashrich Suzuki, as the share allotment will dilute earn-

obtain access to Suzuki's GM, would be its most turn, has Y150bn in cash and The deal's benefits will be

slow to accrue. The two groups have just started talks on two models for the Asian market - a light farm vehicle and an urban commuting car - which could take several years to develop. With sales plunging in Asla - GM estimates the car industry's turnover in Indonesia fell 70 per cent last year as a result of the country's financial crisis - it could be a long time before

However, when the smoke

By Terry Hall in Wellington

(US\$63m) loss from the joint venture which bought the New Zealand Forestry Corporation from the govern-

ment in 1996. The New Zealand-based decided to quit its 25 per cent stake in the Central North Island Forest Partnership, which paid NZ\$1.6bn to buy 164,000ha of formerly holding. state-owned forests.

nese government's state trading organisation, and Brierley Investments has Fletcher Forests, which each suffered a NZ\$123m own 37.5 per cent. Brierley has offered its shares to both Citic and Fletcher Forests, but it is expected that the Chinese will turn down the

investment group, has Forests will, under a prelimi-

the partnership plus 93.3m of

that was originally invested. It is believed the loss would have been included in the NZ\$1.2bn of write-downs announced by Brierley Investments last week, which led to a NZ\$904m loss. Earlier this week the part-

nership said it had restructured a US\$700m loan with a consortium of 12 banks. An extra US\$126m will be injected into the partnership. The new loan was needed

following the Asian financial crisis which has led to log

JAL to step up cost-cutting

By Alexandra Harney in Tokyo

Japan Airlines (JAL), the step up its cost-cutting in an attempt to improve deteriorating profitability.

sures to trim costs 10 per cent by 2001 as part of a declined to comment on more than 1,800. which areas it would scale announcement soon.

our mid-term plan, which includes targets of about 10 country's largest airline, yes-terday confirmed it would timing is still under consideration," JAL said.

The company did say it almed to pay a dividend this The company said the airline originally planned to cut

restructuring programme ground crew numbers by

numbers on international flights this financial year have been below last year's figures. "Companies have been inclined to limit busicontinue to decline amid sluggish economic condi-tion," JAL said.

group reported net losses of Y94,2bn (\$710m), compared with Y9.2bn the previous year. This year, the group expects to return to profit-

In the year to March, the

Shiseido plans to strengthen its business base amid new venture aims for annual sales of HK\$260m by 2000. Reuters, Tokyo

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Tokyu to sell store in restructuring

By Deborah Haynes in Tokyo

Tokyu. the troubled bashi store as it had been department store group, yes- fighting a losing battle for a terday announced a restruct- number of years with Takuring programme in which it ashimaya and Mitsukoshi, will sell its third largest two other large department store in the capital's Nihon- stores in the area. hashi district by the end of operations.

per cent.

Toru Uchiyama, president, said he expected to make at Y15.38bn. least Y60bn (\$452m) from the

Mr Uchiyama said he had chosen to sell the Nihon-

Despite the sale, Tokyu January next year and close expects a loss of Y58bn this down several overseas year, compared with its previous forecast of a Y4.5bn loss and last year's loss of

Tokyu closed at Y139, up 2 year to Y459bn this year. However, Tokyu said it

ous steps towards recon-Sales are forecast to struction and it will not be yet hit the shop floor of the sale of the store. Shares in decline from Y521bn last long before other companies

follow the lead." Mr Uchiyama said the ing of selling," said a check Y4.8bn.

simed to generate group pre- shop's sale would not result tax profits, excluding excep- in redundancies among the tionals, of Ylobn and group 386 employees. "About 105 operating profit of Y18bn by workers will go in early retirement and we plan to Tokyu is not the only transfer the rest of the staff department store group suf- to vacancies in our cheque." fering from heavy debts. remaining four stores or

> Tokyu planned to cut its staff of 4,200 to 3,700 by January 2003.

News of the sale had not 31-year-old store. "I heard a rumour Tokyu were think-

out girl from Havashi Fruits, . "However, we are just tenants here so if such a sale does go ahead, I supposé all that will change will be the name at the top of the lease

A sharp drop in consumer consumption has forced the company to sell its four overseas store operators, at a combined loss of Y28.3bp. The group will close and dissolve its Singapore subside iary One-0-Nine Trading and Singapore's Tokyu Department Store at a loss of

It was not the last-minute carmaker's loss-making divi- hardship. Discussions began

sion, but a significant investment in Asia by the world's with Chrysler earlier this second largest carmaker at a year, the two companies say, time when other global car groups are considering their positions in the region. Last Europe, South America and week. Ford Motors, the US carmaker, withdrew from bidding for control of Kia Motors, the bankrupt Korean group, because of the compa-

more than Y42.3bn (\$315m) into Suzuki, aimed at the burgeoning market for compact and mini-cars in Asia, group, which includes Opel. has long-term implications for both groups. Although the region will hurt sales initially, analysts say the deal strengths at a time when

the slump in demand from in Australia. Isuzu, the Japabrings together two compa- per cent, also has a tie-up nies with complementary with the US company to operational and marketing build diesel engines.

brother somewhere. They ger foothold in markets outcouldn't rely on any other side Asia, such as Europe with groups in the region. given the long relationship is still weak.

cent of the Japanese minicar market, markets similar models in Indonesia, China and India.

expertise in small vehicles important local partner.

esterday's deal will turnover to 10 per cent. the Korean carmaker. It ings per share by 7.5 per already sells its Opel cars in cent. The group's shares rose Thailand and cars under the 6 per cent on early reports of Holden label in Australia. the deal, but closed down Y2 keen to expand its alliances alliance were announced.

the venture turns profitable.

groups will be in a strong Suzuki, which expects a 2 position to take advantage of Japanese auto maker, and and South America, where it but stressed that Suzuki, per cent drop in sales this the market's latent possibiliwhose operating costs are year as a result of the ties.

Brierley quits joint venture venture are Citic, the Chi- compared with the NZ\$240m

If this happens. Fletcher nary agreement, give Brierley US\$30m for the debt in

its shares for the equity

The other partners in the 'stake at around NZ\$117m, prices hitting a 20-year low.

This values the Brierley

"We would like to revise May, monthly passenger

The group said it was con- year, which would be the sidering accelerating mea- first payout in seven years.

announced in April. It 1,500 but it could now cut JAL has been hit by slugback, but said it hoped to gish consumer demand and ability with Y14bn in earnmake a more detailed losses from its botel and ings on turnover of resort businesses. Except for Y1.238bn.

"There are six stores in the other affiliated companies," Tokyo area in greater finan- he said. cial stress," said Kevin Hebner, analyst at UBS. "Tokyu is the first to take any seri-

COMPANIES & FINANCE: THE AMERICAS

Intel in video and TV tie-up

By Louise Kehoe

The move comes shortly after the US Justice Depart- Microsoft antitrust lawsuit. ment alleged that Microsoft

companies, into not compet- well below its July peak of new internet video produc-

with Intel gave RealNet- product. work's share price a strong boost, recovering some of its losses over the past two months since the company became embroiled in the

\$45 before the company tion system. The new techdesigned its latest internet video software to disable The joint announcement RealNetworks' competing use the technology on a new

> ogies to create broader consumer demand for high performance PCs. RealNetworks will license

suing internet video technol-

media. However, yesterday's charged, in testimony before nology promises better announcement suggests a US Senate committee, that sound quality and clearer that, if such bullying Microsoft had deliberately pictures for video transmitted over the internet. Atlantic Records plans to

online video channel. Intel, the leading personal Instavid. The combination of computer chip-maker, is pur- intel and RealNetworks technologies was "an important step in extending Atlantic's ability to make mainstream broadcasting possible on the internet," said Karen Cola-Intel technology, called mussi, Atlantic senior vice Streaming Web Video, into a president of new media.



Campbell Soup plans kiosk sales

Campbell Soup, the US food company, yesterday said it was thinking of setting up soup kiosks in shopping malls and airports for Americans eating on the hoof, writes Richard Tomkins in New York. It said it was responding

to the trend in the US and other countries for people to spend more on restaurant and take-away meals and less time cooking at home. The company said it was setting up a new division called "Campbell away from

home" to increase sales of Campbell's Soup and its other brands through nontraditional channels. "Consumers now spend more than 50 per cent of their food dollars on food

prepared and consumed away from home," the company said. Campbell Soup already has a food service business

which supplies its products to restaurants, hospitals and schools, However, consum-

ers are rarely aware they are Campbell's. The company wants to

change this by getting its name on the products at the point of sale, in the hope that people will be more inclined to buy them if they know they are Campbell's. It has experimented by

sold at help-yourself bars in US colleges, and plans to extend this to convenience stores and other locations. It is also trying to get its soups on to the menus of fast-food restaurant chains. They are already being sold

putting its name on soups

by the Long John Silver's chain in the US. But Craig Rydin, who will head the "away from home" division from October 1, said the biggest departure from existing practice was the idea of setting up free-standing Campbell's soup kiosks

NEWS DIGEST

FOOD AND RETAIL

Host Marriott is hurt by airline pilots' strike

Host Marriott Services, the food, beverage and retail services company, forecast it would report lower-than-expected third-quarter earnings of 50-51 cents a share. Yesterday it said earnings were hurt primarily by the Northwest Airlines pilots strike, which reduced its earnings by 3 cents a share. Also, it said its duty-free business was hurt by the Asian economic slowdown.

Furthermore it expects the impact of these conditions to linger into the fourth quarter, so it also forecast earnings for the year of 59-60 cents a share, compared with 57 cents for the year to January 2 1998. However, the company said it remained committed to its long-term goals of \$2bn in revenues by 2001 and average annual earnings growth of 20 per cent for 1999 and beyond. Venator Group, struggling to shed its former life as

Woolworth and rebuild liself into a leaner sportswear retailer, said yesterday it would close its 570 Kinney and Footquarters shoe stores and take a \$173m third-quarter charge. Agencies

SEMICONDUCTORS

Motorola halts plant work

Motorola, the mobile phone and semiconductor chip manufacturer, has halted work on its \$3bn chip fabrication plant in Virginia. The move reflects the continued slump in the semiconductor market. This is the second time the plant has been put on hold.

The news is the latest announcement to reflect the retrenchment by chip manufacturers in the face of a global downturn in semiconductor prices driven by falling PC prices and the economic turmoil in Asia. Motorola's move also comes as the company embarks an a restructuring programme of many of its operations, including semiconductors, in an attempt to improve its weak financial performance. Roger Taylor, San Francisco

ACCOUNTANCY

Ex-theatre boss to sue KPMG

The deposed former chairman of North America's largest live theatre production company yesterday launched a lawsuit seeking C\$25m (US\$16.6m) in damages against the accounting firm investigating the company's books. Garth Drabinsky, who was suspended from Livent last month after the company's new management revealed accounting irregularities, also wants an injunction to prevent KPMG from continuing its forensic audit of the com-

Mr Drabinsky charged that KPMG was in a conflict of interest because the company was responsible for due diligence prior to an infusion of capital into the firm by a management team led by New York investment banke

Roy Furman and former Disney head Michael Ovitz. KPMG had not responded to the allegations by mid-day vesterday, Edward Alden, Toronto

in San Francisco

Intel, the semiconductor maker, has formed an internet multimedia technology occurred, it had no lasting and marketing partnership with RealNetworks, a specialist software group, to create technology for the production of internet video and television, in competition with Microsoft.

By Scott Morrison in Toronto

Rumours about serious

waste services company

since it revealed in January

restructuring charge.

it would take a US\$200m

Further write-downs total-

ling about \$400m, and the

company's restatement of

earnings back to 1995, sent

investors fleeing for cover as

Philip's share price plunged

The company's secrecy

the scope and nature of Phil-

ip's difficulties. However, a

class-action lawsuit recently

By Tracy Corrigan in New York

The global market volatility

that has claimed numerous

and banks has at last pro-

broker, yesterday said its

third-quarter earnings were

set to beat expectations, due

to heavy trading by custom-

The company, which has

Schwah, the US discount First Call

more than 90 per cent.

ing with it in internet multi-

The stock was up 25 per had attempted to bully Intel, cent in mid-session yester-RealNetworks and other day, at \$24%. This was still

a series of fraudulent

accounting practices that

Strong financial state-

ments inflated Philip's share

the success of the company's

The lawsuit cites the com-

half its revenues from trad-

ing, said, it expected third-

quarter net income of \$90m-

above analysts' estimates

duced a beneficiary. Charles of 31 cents, according to chief executive.

ion of Cowen & Company,

with recognized research expertise in high technology, health care, communication,

SG arranges the first swap in euros for Crédit Local de France-Dexia

-synthetic= bonds indexed on the

million); LVMH (FRF 1.3 billion).

SG launches and places several issues of

stockmarket price of the issuer's shares:

in its capacity as primary lead arranger,

SG signs the largest project finance

(Shandong Zhonghua power project).

SG ranked best export finance arranger for

1997 by Project & Trade Finance magazine.

SG appointed sole arranger and subscriber

of USD 226 million for the Ingleside

Cogeneration project by Occidental Pretroleum and Conoco.

Ratings:

And (Moody's

operation ever arranged in China

SG Bannon advises Polygram

on its acquisition by Seagram.

Rhône Poulenc (FRF 1 billion): Générale des Eaux (FRF 500 million); Rexel (FRF 300

an American investment bank

media and entertainment.

price, which was crucial to

1996-97 acquisition spree, a significant portion of which

was financed in stock.

enabled it repeatedly to over-

accounting irregularities at state revenues and earnings Philip Services had been while understating expenses

swirling about the Canadian and liabilities.

Philip in the dock over accounts

accounts receivable, says the understating its liabilities. lawsnit... The lawsuit alleges that

In a "tolling" agreement the company became aware with General Motors, Philip in mid-1997 that its accountreceived scrap metal from ing practices were becoming the carmaker and agreed to provide it with cathode copper, which Philip received from third parties. But the lawsuit alleges that when Philip acquired cathode copper to meet its GM obligations, it incorrectly recorded the value of the purchase as inventory, thus inflating the

pany's factoring agreement with Royal Bank Export value of its assets. Finance Corporation (Refco). It alleges that Philip withduring months of turmoil held payments owed to Refco left observers questioning for up to 30 days and apparently used the funds to Moreover, the company

Schwab bucks downward trend

impossible to cover up. As a result, management began to plan for a metals restructuring charge, which it hoped would deflect attention away from the true state of affairs at the company.

Furthermore, owing to its mounting cash-flow problems, the company was unable to meet all its obligations to GM and had a shortengage in copper trading. fall of \$26m in 1996. The court document maintains filed in New York alleges failed to record its liability Philip did not record the that the company engaged in to Refco, thus overstating its shortfall as a liability, thus be filed within 60 days.

been concocted by at least one of the employees to cover up his own wrong-doing while a director at the company. The company has said it was reviewing the lawsuit and preparing to defend itself in documents to

Philip, which has launched

a lawsuit against three for-

mer employees, suggests

some of the charges have

accounts and earns about absence of any international About half of Schwab's tradproprietary trading and a ing revenues now derive continued focus on staffing from on-line trading, and the levels, expenses and risk firm has nearly 2m active victims among hedge funds \$97m, or 33-35 cents a share management," said David online customer accounts. Lauren Smith, an analyst Pottruck, president and co-

Revenues for the quarter ell, de Guardiola and Thorn-While other securities are expected to be about ton, said although Schwab firms have been hit by trad- \$700m, up from \$612m. Ear- had been reining in ing losses in emerging mar- lier this year, Schwab expenses, margin pressures kets, Schwab's results adopted a flat-rate charge of remained and the "massive "reflect heavy trading vol- \$29.95 for internet trades in trading volume days" of the umes, the strength of our an effort to compete with third quarter may ease when about 5.4m customer core domestic business, the other internet services. market stability returns.

at brokerage Puttnam, Lov-

in railway stations, airports, shopping malls and other busy areas, overseas as well

1998 interim results

brok to merge with subside

14 74 S44 14 944 X

MANAGEMENT MANAGE

Later to a set the later

the ser year you

PARTURE TELL OF THE

STORY STORES

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Warburg Dillon Read to

Pertamina sees end to revain

shed lobs in Asia

ga saran

estructuring

net income up 9.2% to FRF 4.1bn after substantial reinforcement of risk provisioning

Growth in gross operating income of all business lines

Gross operating income from Retail Banking activities stood at FRF 4.1 bn. up 5.4%. Net banking income rose by 2.3%, due to the Group's

development in the individual customers segment. Operating expenses rose by 1.3%, principally due to the development of home banking services. Gross operating income of Crédit du Nord came out at FRF 0.5 bn, up

22.4% confirming the recovery begun in 1997. Gross operating income from Asset Management and Private Banking reached FRF 0.7 bn, an increase of 23.7% which reflects growth in assets under management (FRF 930 bn at June 30, 1998, against FRF 633 bn at

June 30, 1997). Half this growth is due to acquisitions made (Hambros, Gross operating income from the International and Finance Division stood at FRF 4.4 bn, showing an increase of 44.3%. Investment Banking activities (trading, brokerage, advisory), which benefited from favourable market conditions, registered gross operating income of FRF 2.7 bn, up 81.2%.

Risk provisionning reinforced

The Group's commitments in the five most sensitive countries in Asia (Thailand, Indonesia, The Philippines, Malaysia and South Korea) stood at FRF 42.8 bn on June 30,1998, and had been reduçed by 15% over the first six months of 1998 (when adjusted for changes in Group structure). To take account of the deepening crisis in this region, notably in Indonesia, the Group booked an additional provision of FRF 3.5 bn, taking overall provisioning of these commitments to 19.4% at June 30, 1998 (against 10.4% at December 31, 1997)

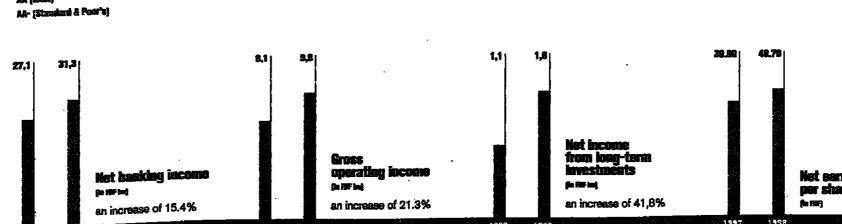
Furthermore, the Group has reinforced its country risk reserves by booking a general provision of FRF 2.5 bn, notably to account for the effects of the Russian financial crisis.

Consolidated net income up by 9.2%

Net income for the first half of 1998 came out at FRF 4.1bn, while the return on equity was 12.8% a level similar to that of the first half of 1997 (13.2%)

Enhanced capital base

At June 30, 1998, total equity stood at FRF 78.6 bn. Consequently, the Tierone ratio came out at 6.4% at June 30, 1998 (against 5.9% at June 30, 1997), while the B.I.S. ratio stood at 11.2% (against 10.3% at June 30, 1997).





A general provision of FRF 2.5 ha was booked to account for the effects of the Russian crisis

> Asian risk provisioning was reinforced through an additional provision of FRF 3.5km

Profits slide at Crédit Agricole Indosuez

French mutual banking exposure, were raised to In addition to its securities currently C; deposit and debt group, yesterday blamed FFr3.16b2 from FFr2.07bn at trading activities, the bank ratings are respectively Aa2 woes in emerging markets the end of 1997. for a 32 per cent fall in firsthalf net profits, but refused to reveal the extent of its Russian problems.

Net profits fell to FFr362m (\$63.9m) from FFr537m, after negotiations with the Rusthe bank increased provi-sian government and debtsions related to troubled ors. The bank only said it lowed an announcement by

Compaq

to launch

attack on

Germany

The new European home

in countries such as Ger-

many where its prices have

been between 25 and 30 per

cent higher than those

As a result. Compag ranks

number 10 in the German

consumer PC market behind

competitors such as Vobis,

ing Proline, PC-Specialist,

Europe. Local assemblers

will account for about 80 per

cent of the 1.7m home PCs

sold in Germany this year.

Compaq's new cut-price

home PC, the Presario 5501,

will be built by Schaeffer-IT-

Logistics, a.-Dresden-based local PC assembler using

components bought on the

electrical retail chains and

direct to consumers by tele-

phone and via the internet.

new manufacturing model

will enable Compaq to take

advantage of the more rapid

response time, faster time-to-

market and build-to-order

advantages held by local

assemblers, while exploiting

including France, the UK

and Spain.

Mr Bouten believes the

upply contracts.

charged by local assemblers.

By Paul Taylor

partner.

CAF executives, however, refused to reveal the extent of losses related to Russia, claiming this would weaken their hand in forthcoming

In addition to its securities currently C; deposit and debt is active in Russian trade and Pl. and project finance.

CAI's results had little Crédit Agricole group effect on the performance of brought forward the publica- Crédit Agricole, the mutual tion of its half-yearly results bank which owns it. Net to calm speculation over its profits for the group rose 32 exposure to the emerging per cent in the first haif to markets. The decision fol- FFr6.11bn. This was mainly because of the recovery in Asian markets such as South had made an "important pro- Moody's, the US credit rat- French consumer spending

Korea, Thalland, the Philip vision" and that its out- ing agency, that it was and a general pick-up in the state-backen rescue, but said pines, Malaysia and Indon- standing exposure stood at reviewing CAI's ratings for a economy. All activities bene- he was not interested "right Crédit Agricole Indosuez, the esia. These provisions, now \$490m, at August 17 market investment arm of the covering its per cent of total prices. ing 10.7 per cent to Natexis, the French bank FFr1,564bn, while loans acquired earlier this year by increased by 8.3 per cent to the mutual banking group FFr1,370bn.

> on retail banking. Mr Douroux did not rule

Banques Populaires, yester-Lucien Douroux, chief day announced a 14 per cent executive, said Crédit Agri- rise in first-half net profits to cole would continue to focus FFr202m. The bank set aside \$529m in provisions linked to the Russian and Asian criout taking a stake in Crédit ses, and said it would go Lyonnais, the troubled state- ahead with a planned capital owned bank due to be priva- increase of 10 per cent "if tised within a year after a market conditions allow".

Stock swap in Norway's three-way merger plan norske Bank when it tried to company on the Oslo stock Christiania Bank, Fokus banken, the mortgage norske Bank, as financial leader by market value.

Bank and the state-owned Postbanken yesterday Arnkvaern, chairman of unveiled further details of a Christiania Bank. Compaq Computer, the three-way merger which world's leading personal may help them overcome the financial and political hurcomputer maker, is to target local consumer PC assemlargest financial institution. blers in Germany with a cutprice DM1,699 (\$1,007) The banks announced an machine built by a local

attractive stock swap packshareholders receive 2.386 PC strategy is radical for Compaq, which has until Christiania Bank shares, representing a premium of now been willing to accept a more than NKr500m (\$66.5m) for Fokus shareholders. low consumer market share

The concession to sharestrategically political deciheadquarters in Trondheim, will help ensure the merger does not meet the same political resistance as Den ate Norway's fifth largest DnB deal - suggested the

lender, according to Harald

dles to forming Norway's it would not spread financial leverage outside of Oslo.

Ruud, president and chief executive of Christiania ania Bank. Bank and the new combined group. "Sometimes you have to lose the battle to win the war. But the common view holders, combined with a is that this is a fair deal." The three-way deal, with sion to place the new bank's Christiania Bank as 61.1 per state-controlled, this makes cent owner. Fokus Bank

The group expects NKrlbn in annual pre-tax savings The Ministry of Finance from synergies after 2004 by blocked DnB's merger with sharing information technol-BN bank in January, saying ogy, co-ordinating activities, and cutting 900 jobs. Shareholders will feel the effects "In a merger, it is normal as soon as 2001, when the to pay a premium to minor- deal is expected to have age in which Fokus Bank ity participants," said Tom boosted earnings per share in Fokus Bank and Christi-

Each of the banks must win a two-thirds majority vote from shareholders for the deal to proceed. For Christiania Bank and Postbanken, which are both the vote political. Gudmund (19.2 per cent) and Postban- Restad, the country's finance ken (19.7 per cent), will cre- minister - who quashed the



Tom Ruud (right): 'Sometimes you have to lose the battle'

entity in Trondheim, the per cent owner. third largest city, may work in its favour. Support from Postbanken will hinge on Ministry of Transport and pany.

decision to base the new Communications, as its 100

Christiania Bank is 51 per cent held by the Government Bank Investment Fund, an approval from the country's independent public com-

Fujitsu - which already Three PwC owns a local assembler and Siemens Nixdorf as well as own-brand labels includpractices leave Comtec and Targa. "Historically, the German home PC market has been challenging for all the big to join KPMG multinational PC manufacturers," said Toon Bouten, Compaq vice-president for consumer products in

Accountancy Correspondent

have defected from PwC, the new giant global professional services firm to join KPMG, one of its Big Five

Colin Sharman, chairman spot market, where they are of KPMG International, told cheaper than those available partners in Monaco at their annual conference that to Compaq under long-term The machines will be sold Israel, Indonesia and the by Germany's eight largest Philippines.

largest firm, will join KPMG from the former network of Price Waterhouse - apparently as a result of opposition to PW's merger with Coopers & Lybrand.

The other Asian practices were formerly in the Coopers & Lybrand network. ∰ir Sharman also

authounced tough new targets for KPMG as it accelertruly global firm targetting multi-national clients. RPMG is often seen as the least globally integrated of

the Compaq brand.
If successful, he said it will be extended to other countries in Europe with strong local assembler markets

the Big Five firms and this vear suffered a setback when it failed to complete a global Three national practices merger with Ernst & Young. Mr Sharman said the failed merger had spurred KPMG to introduce real change and that developments - such as a new IT

system - would allow it to

"leap-frog" the opposition. More than \$15m has already been spent on develplatform, with a further \$45m earmarked for develop-Somekh Chaikin, Israel's ment on a year-by-year basis. A further \$60m is being spent on a new global branding campaign.

Mr Sharman said the firm was aiming for 25 per cent growth in revenues, a 2 percentage point rise in margins per annum, and an annual 25 per cent increase in staff retention.

Paul Reilly, head of the new international executive, ates moves to make it a said this would mean the firm having revenues of \$20bn in three years and an extra incremental profit of \$1.2bn by 2000-2001.

Asian crisis hits sales at Chargeurs group

By David Owen and Samer Iskandar in Paris

Chargeurs, the French textiles group, yesterday further downgraded its full-year sales forecast as it reported a 23 per cent increase from FFr147m to FFr181m (\$32m) in first-half net income. , The result was achieved in

spite of a 9 per cent decline in sales and a 14 per cent fall in operating income. The group attributed the sales decline to the impact of the The impact was particularly hard-felt at Chargeurs

Wool, where sales dropped

16 per cent to FFr1.87bn and

operating income slid from FFr87m to FFr18m. The company said that in the face of international trade financing difficulties in China, Chargeurs was maintaining its policy of only making deliveries on con-

was guaranteed. The group forecast fullyear sales of between FF17.5bn and FF18bn, down from a forecast of FFr8.5bn in July and FFr9bn in May. It said net income should

reach 3 per cent of sales, development of existing excluding exceptional

has played an important part in the growth of Pinault which said yesterday its net profits had risen by more half to FFr1.28bn.

per cent to FFr50.48bn, sales in mail order activities. outside France accounted for • Saint-Gobain, the French 43.8 per cent of the total, up glass and building materials period last year.

the group's FFr6.27bn total investments were made out- Korea's leading flat glass side France. Serge Weinberg, chairman

of the management board, said the group had benefited Hankuk Glass along with from the recent recovery in the founding families. The the French economy. Korean group has annual Growth was also underpinned by PPR's aggressive companies in Brazil, Spain, FFr700m on French purchases

brands, as well as launches of specialised services, • International expansion including in the consumer finance sector.

Last week, PPR said it Printemps Redoute, the planned to launch, by the French retailing group, middle of next year, a new mail order business specialising in office equipment and than 35 per cent in the first furniture. PPR is already active in the sector through While turnover grew 23.3 its subsidiary, Guilbert, and

its Asian presence by taking Almost three-quarters of a 25 per cent stake in Hankuk Glass Industries. producer. The company said the aim of the operation was to obtain majority control of

turnover of some \$300m. Saint-Gobain. whose tracts where full payment acquisition strategy. PPR annual Asian turnover is spent FFr4.2bn acquiring currently put at about FFr2bn, is aiming to lift this and Australia, in addition to figure to FFr5bn within five years and FFr20bn within about 10 years. Earlier this Mr Weinberg said future year, it reported static first-growth would come from the half income of FFr3.4bn.

NEWS DIGEST

ISRAEL

Bank Leumi privatisation proceeds after roadshow

israel will today press ahead with its bank privatisation programme and publish a prospectus for a package of shares and warrants in Bank Leumi, the country's second biggest, after a roadshow targeting European investors.

If all warrants are exercised, the state will relinquish control of the bank and see its current 61 per cent stake fall to 44 per cent on a fully diluted basis. The state hopes to receive about \$105m in immediate proceeds, and another \$160m if all warrants are exercised in December 1999.

MI Holdings, the bank privatisation company, said Lehman Brothers, Merrill Lynch and Flemings subscribed for 75 per cent of the shares, worth \$80m, in the pre-commitment stage. Meir Jacobson, managing director of Mi Holdings, said this showed that "foreign investors like the share" in spite of difficult market conditions.

Each package includes 10 shares worth Shk5.80 apiece and 15 warrants for Shk5.98 each. The share price represents a 3 per cent discount to the market value on Tuesday night, when the target prices were set. The entire package is worth 12.3 per cent of Leumi's equity, and includes a greenshoe, or over-allotment option, for another 2.4 per cent. Bank employees will be offered 1.9 per cent as well. Avi Machlis, Jerusalem

SWEDEN

SKF closes US plant

SKF, the troubled Swedish bearings group, is to close its plant in Gastonia, North Carolina, with the loss of 330 jobs. The company, which recently sacked its chief executive, said yesterday the closure was part of a previouslyannounced restructuring package which will reduce its workforce by 4,000 over two years. Greg McIvor, Stockholm

Rights issue for Hansapank

FöreningsSparbanken, the Swedish bank that has acquired 30 per cent of Estonia's Hansapank, yesterday offered to underwrite an EKr1.4bn (\$104m) rights issue to increase the bank's share capital. The Swedish lender described the proposed right issue as fairer rather than Hansapank's proposal to auction 14m new shares, which threatened to dilute its stake by up to 20 per cent.

Lars-Olof Odlund, a senior official at FöreningsSparbanken, said the rights issue would enable it to maintain its stake by subscribing to new shares. It is offering to under write the offer at EKr100 a share.

Hansapank, in which Skandinaviska Enskilda Banken also has a 10 per cent stake, is due to consider the offer today. Tim Burt, Stockholm

PHARMACEUTICALS

Bayer considers Agfa sale

Bayer, the German chemicals group, will discuss the possible sale or flotation of Agfa, its ailing films business, at a supervisory board meeting today.

Analysts said the meeting could result in Bayer selling Agfa, which has around DM8.3bn (\$4.9bn) annual sales but has underperformed in recent years. The company said yesterday it was considering a number of options for the film unit, including floating the division, working with a partner or selling Agfa outright.

Agfa had an operating result last year of around DM481m. The future depended on stock market sentiment in the wake of the world financial turbulence, Bayer said. Graham Bowley, Frankfurt

SOUTH AFRICA

Sasol posts 19% fall

Sasol. South Africa's synthetic fuel producer and petrochemical company, yesterday announced lower profits for the year to June but said its proposed purchase of chemicals group AECI would increase turnover by 50 per cent and provide significant potential for reducing costs. Net profit fell 19 per cent to R2.07bn (\$337m), but the

total dividend was maintained at 147 cents. Turnover rose 5 per cent to R16.67bn, while pre-tax profit declined 22 per cent to R3.29bn. The benefits of a lower rand against the dollar offset the impact of weaker crude oil and petrochemical prices and thinner refining margins. Sasol, whose subsidised oil-from-coal plants date back

to the era of anti-apartheid economic sanctions, said the purchase of AECI from Anglo American Industrial Corporation - still subject to the approval of the local Competition Board - would help it pursue a policy of international growth. Pieter Cox, managing director, said the deal would enable Sasol's chemical businesses "to more rapidly achieve economies of scale, approaching those of competing international companies". Victor Mallet, Johannesburg

DOMESTIC APPLIANCES

Merloni upbeat on Russia

Merloni, the Italian domestic appliance manufacturer leader in the Russian market, yesterday reported a 30 per cent rise in first-half pre-tax profits to L30.5bn (\$18.3m) on a 9 per cent increase in sales to L1,384bn. The figures included a L14bn provision to cover eventual risks in Russia. However, the company said it had not faced any extraordinary losses or costs since the rouble devaluation. Vittorio Merioni, chairman, said the company expected fullyear figures to be higher and "in any case not lower than 1997", in spite of difficulties of the Russlan market. The company, whose brands include Ariston, Indesit and Scholtes, reported pre-tax profits of L82.5bn on sales of L2,800bn in 1997. Paul Betts, Milan

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Cost cuts lift Italy's banks **NEW WITS LIMITED**

("New Wits")

Results of the General Meeting

At the general meeting of New Wits shareholders held on Wednesday, 16 September 1998. New Wits shareholders voted in favour of all the resolutions necessary to effect : 1. the reduction of the share premium account of New Wits in terms of Section 84 of the Companies Act, 1973 (Act 61 of 1973), as amended; and

- 2. the distribution by New Wits to its shareholders of its entire shareholdings in the following companies ("the unbuindling"):
 - Anglo American Platinum Corporation Limited; - Anglo American Investment Trust Limited;
 - Anglogold Limited:
 - Commercial Union of South Africa Limited; Gold Fields Limited
 - Gold Fields of South Africa Limited;

Witwatersrand, Limited;

- The Randfontein Estates Gold Mining Company,
- Voqelstruisbult Metal Holdings Limited; and
- Western Areas Gold Mining Company Limited,

(collectively "the affected companies").

The unbundling is subject to the confirmation by the High Court of South Africa of the reduction of New Wits' share premium account, the granting of an Order to this effect and to the registration by the Registrat of Companies of the special resolution and the Order referred to above.

New Wits shareholders are reminded that the last day to be registered as a New Wits shereholder in order to participate in the unbundling is by 17:30 South African time on Friday, 16 October 1998, New Wits shares will begin trading on the Johannesburg Stock Exchange and London Stock Exchange, ex-entitlement to the unbundling consideration.

on Monday, 19 October 1998. Share certificates in respect of the shares held in the affected companies and cheques in respect of fractional entitlements, distributed in terms of the unbundling, will be in respect of fractional enumerical posted on Friday, 23 October 1998.

Johannesburg

16 September 1998

Intesa, the banking group Credito Italiano group, saw

First-half earnings of three cutting and buoyant fund management operations.

Istituto San Paolo di Torino, the country's largest commercial bank which is merging with the IMI banking group, saw first-half net consolidated profits rise 88 per cent to L487bn (\$292m). had not decided to increase lending exposure in Russia.

L177bn, 0.1 per cent of the

formed through the merger of Banco Ambrosiano Veneto of Italy's newly enlarged and the Milan Cariplo banking groups grew savings institute, reported a crisis and its impact on strongly on the back of cost 74 per cent rise in first-half banking shares has not yet 74 per cent rise in first-half net profits, to L523bn

Milan bank due to link with three north Italian regional banks next month to form Unicredito Italiano, rose even more, by 206 per cent to di Roma, although there also L735bn. Cassa di Risparmio The performance would bave di Torino, one of the been stronger if the bank regional banks involved in the Unicredito marriage. provisions to cover its net also reported a 110 per cent rise in first-half net profits to now becoming increasingly L154bn, while Cassamarca, San Paolo made L195bn of new provisions to reduce its another Unicredito partner, net non-guaranteed exposure had a 73 per cent rise in net to Russia from L372bn to profits to L20bn.

first-half profits rise 60 per cent to L417bn. The international financial banking shares has not yet

halted the ongoing consoli-Consolidated net income dation of the Italian banking at Credito Italiano, the system. Efforts are now under way again to revive the long-touted merger between Milan's Banca Commerciale Italiana and Banca appears to be counter manoeuvres to bring Banca Commerciale into the orbit of the San Paolo-IMI group. However, Italian banks are

concerned over the possible impact of a prolonged bear market on their higher-mar gin fund and asset manage-Rolo Banca, the Bologna- ment services that have based bank also part of the been growing rapidly.

takes majority control of BHIF

By Tom Burns in Madrid

hank's net loans.

Banco Bilbao Vizcaya, yesterday reaffirmed its ica. commitment to Latin America by taking majority con-rival, Banco Santander, trol of BHIF, Chile's seventh which has a similar large biggest bank, with a franchise in Latin America, Pta3.5bn (\$24m) equity purhave both seen their share for the second day running, chase that lifted its stake price dive by nearly 50 per from the 47 per cent, cent since late July. The two the degree of investor confi- American economies. Some

The acquisition, part of the original purchase agree-

that the big Spanish bank BBV's and both banks rid brokers AB Asesores. could be harbouring second thoughts about Latin Amer-

peting bids for Brazil's will regain.

Banco Minais Gerais. Brazilian banking investment, concludes BBV's first ments already represent 3 yet going through the numdirect investment in Chile per cent of Santander's total bers," said Ana Macdonald, and counters perceptions assets and 2 per cent of analyst in London for Mad-

clearly prefer to wait and see BBV and its domestic year for control of São Pau-

lo's Banco Excel Económico. The shares of BBV and of but the jury is still out on financial package for Latin

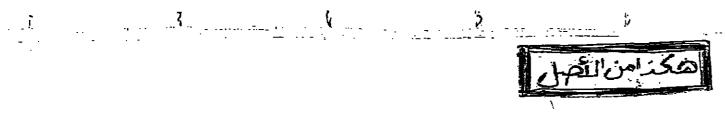
"Everyone is working on sentiment and people are not

was driven by speculation J. P. Morgan in London. Santander rallied yesterday that the International Mone-

> two big Spanish banks have been oversold. "The markets are not takgraphical diversity of the investments by BBV and

Santander in Latin America. Analysts said the share the strategy they are pursubefore raising them further. rebound, which lifted San- ing in the area and their BBV paid \$450m earlier this tander by more than 5 per very conservative provisioncent on Madrid's Bolsa and . ing policies," said Carlos BBV by nearly 3 per cent. Pertejo, banking analyst at

Santander has the highest tary Fund was preparing a exposure with some 31 of its assets located in Latin America but, after minorities, no acquired in June, to 55 per also recently withdrew com- dence the two institutions traders, however, believe the single Latin American country represents more than 5 per cent of its total assets. In addition, Santander's largest ing into account the geo- positions are in Argentina, Chile and Puerto Rico - less



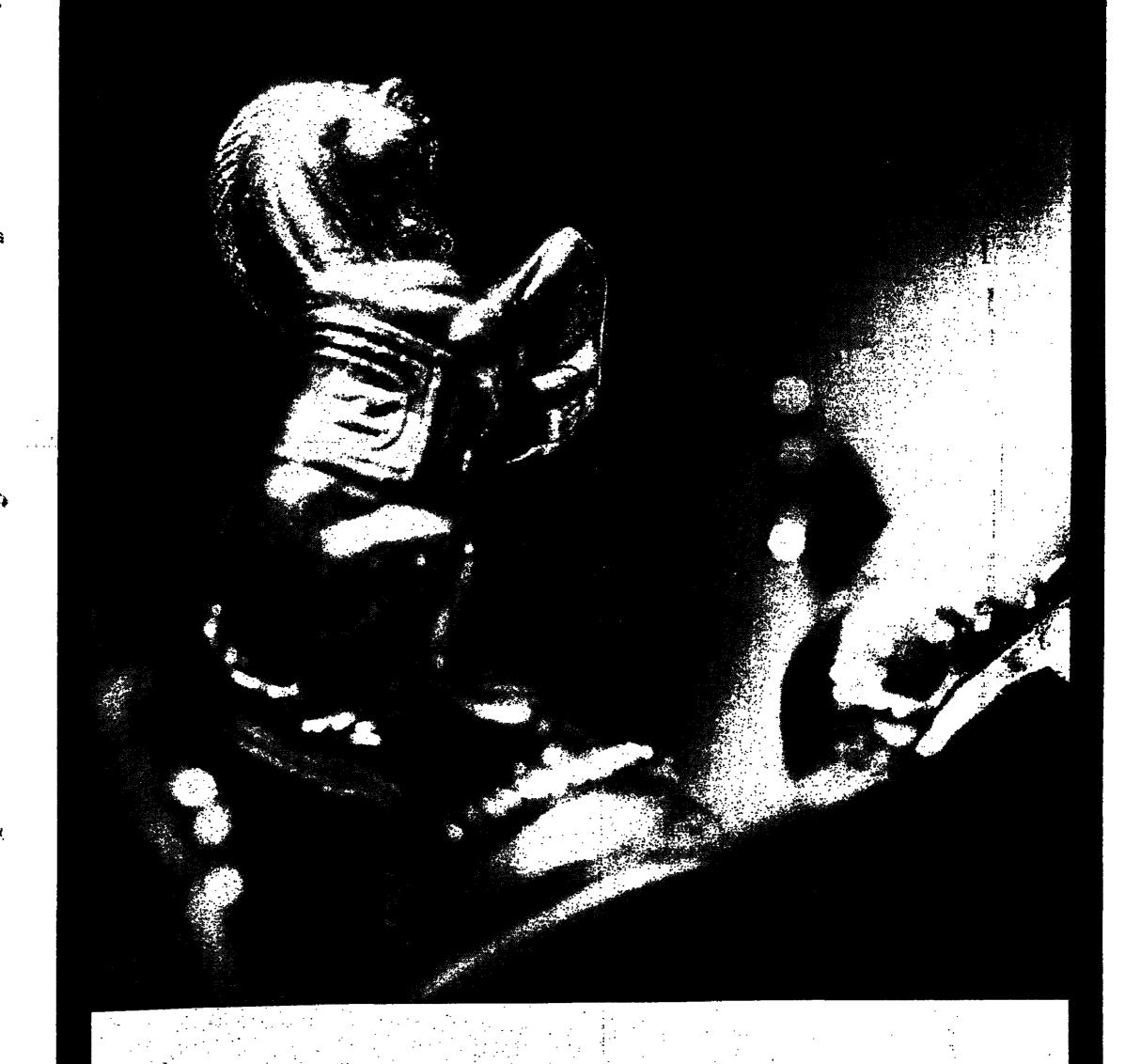
roceeds after roadshow

Rights Issue for Hansapank

PARTICIAL STATE OF THE SECOND

Leyer considers Agla sale

THERE IS A POWERFUL NEW FORCE IN THE WORLD OF FINANCING.



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Poor beer sales knock Bass EMI calls off

Consumer Industries Editor

Bass shares plunged 11.8 per cent vesterday after the brewing and botels group issued a trading statement last month warned of diffi-warning of difficult condicult trading conditions in its tions in its drinks and pubs pubs, fell 494p to 725p.

beer and soft drinks, a ments in recent weeks, Bass decline in profits in the said poor summer weather group's 2,600 pubs and sev- and a general softening in eral one-off costs took the demand was hitting UK Analysts reduced their forecasts for this year by about 5 per cent, with slightly World Cup also reduced pub smaller reductions for 1999.

The statement, covering the 48 weeks to the end of in the brewing, pubs and restaurants sector following a series of warnings of deterduring the summer. The sec-

_ 6 milities to Jun 30 ★ 6 milities to Jun 30

... 6 mits to Jun 30 ... 6 mits to Jun 30 6 mits to Jun 30 x

6 miths to Jun 30

_ 6 miths to Aug 2 _ 6 miths to Jun 30

6 maths to Jun 30

. 6 mins to Jun 30 ... 6 mins to Aug 1 ... 6 mins to Jun 30 ... 28 wiks to Jul 12 ... 6 mins to Jun 30 ... 6 mins to Jun 30

6 miles to Jun 30 . 28 wiss to Jul 11

6 milbs to Jun 27 6 mths to Jun 30

miths to Jun 30

6 miths to Jun 28 112 — Yr to Jun 30# 12.4 — Yr to Jun 30 0.135

Yr to Jun 30 26.7 6 milhs to Jun 30 17.15

RESULTS

last three months, underper marginally to 18 per cent. the Cape Hill brewery in Birforming the market by 10 Bass said there would be no mingham cost it £12m.

Scottish & Newcastle, the UK's largest brewer which last month warned of diffi-Like other groups which

News of falling sales of have issued trading state-The early exit of England

and Scotland from the soccer

takings, particularly in com-munity pubs where drinkers had been trading down from premium products. Branded restaurants and pubs such as All Bar One and Harvester Inns appeared

returns on the investment

(208) (833) (75.3) (5.39) (47) (128) (2,347)

(15.2) (40.6) (89.5) (86.7) (67.4)

(417) (241) (70.2) (45.3) (389)

.... Yr to July 31 36.97 (60.88) 0.055L (0.067L)

11.66 7.96 1.21

162

19.8

reduction in capital expendiand out-of-town chains.

"There is growing evi- brewing profits by 211m. dence of polarisation between these top-end pubs and the locals," said Colin Davies, drinks analyst at Goldman Sachs.

cent boost in revenues per available room in Europe. Growth in the Inter-Continental luxury chain, acquired in March for £1.7bn, was 10.5 per cent ahead of expectations.

In brewing, Bass maintained its share of a "difficuit" UK beer market. But the recall of 8m cans following a coolant leak which

Oct 30

(2.321_) (10.1_) (10.3_) (-) (2.51_) (4.03_) (0.61_*) (565_) (10.5_)

(0.809 } (26.9) (26.8) (2.18) (10.6) (759♥) (1,106♥) (4.6) (1.8L) (1.21)

(0.755) (2.27) (1.34**\foralle**) (1.37L\foralle)

(1.53L)

(3.12) (3.56) (11.56) (9.16)

(0.757) (8L♠) (232♥)

0.2L (0.24L)

In export markets, the conture in this sector, but some tinuing strength of sterling refocusing towards suburban and lower sales of Hooch, the best-selling alcopop, cut

The Britvic soft drink

business, in which Bass has a 51 per cent stake - has also been trading "well below" last year. A change The most positive news in the pricing of the prodcame from the hotels divi- ucts it supplies to shareholdsion which reported a 7 per ers will cost Britvic around 18m this year. And a product recall after the carcinogen benzene contaminated Britvic products cost it £3m.

Yesterday's fall means the shares are 40 per cent below the April peak of £11.95 -reached after Bass had sold its tenanted pubs, Gala bingo halls and Coral betting shops and returned £850m to

tor is down 25 per cent in the last four years up contaminated the output of last three months underger marginally to 18 per cent. The Cape Hill brewery in Bir.

EMI, the UK music group, has decided against bidding for PolyGram Filmed Entertainment (PFE). Europe's largest film producer and distributor, on the eye of the final deadline.

The withdrawal of EMI, long seen as the front runner in the bidding, casts a cloud over the auction of PFE. deadline of tomorrow for production activities.

PFE, which has backed a including Trainspotting, Bean and Lock Stock & Two Smoking Barrels, went up for sale in May after Seagram, the Canadian entertainment company, bid \$10.4bn for the PolyGram group to win control of its music interests. Seagram has indicated that it expects to raise \$750m from the dis-

A dozen companies made preliminary bids for PFE, but EMI was one of the few potential purchasers that appeared intent on keeping it intact under the present management. EMI also seemed willing to continue to invest in the loss-making PFE, which is not scheduled to break even until next

Sir Colin Southgate, EMI's chairman, was initially A large chunk of the enthusiastic about buying \$1.2bn PolyGram has the film company. However, when he and his three fellow executive directors met yesterday to discuss the results of due diligence, they are

Other companies, including Canal Plus, the French pay-TV concern, and Carlton, the UK media group, have also been conducting due diligence with the aim of submitting final offers before

However, Canal Plus has indicated that it can not bid as high as \$750m, and Carlton is primarily interested in PFE's 1,500 strong film Goldman Sachs, the bank library and might not be handling the sale, has set a willing to sustain its film

Similarly, it is not clear whether PFE's US bidders series of box office hits would keep the company intact. Artisan Entertainment, a film and video distributor backed by Bain & Co. the consulting group, would be unlikely to retain the current management team. Kirk Kerkorian, the veteran US corporate raider, may make a last-minute bid, but he would merge PFE with MGM/UA, his existing Hollywood studio.

If Seagram can not find a bidder willing to meet its price expectations, it will merge PFE into Universal its Hollywood movie studio.

The absorption of PFE into Hollywood, or its purchase by a new owner which can not sustain its present level of production activity, would deal a serious blow to the recently revived European

film industry.

A large chunk of the invested in PFE since 1991 has gone into production and distribution in Europe, particularly in the UK. No other European company seems likely to provide a

The speed of the second half slowdown in Bass's pubs slowdown in Bass's pubs combined with leaks in its display more to make the drinks profits to make the market choke. It was already in a delicate state after hearing that Whitbread was cutting investment in pubs and that UK consumers were eating out less. So, in part. Bass's disappointing story was predictable. Its 1,000 community pubs are concentrated in areas feeling the pinch in the north and Midlands and the embarrassing

recall of its canned beers was also known. What is worry-

ing is that its "tail" of underperforming pubs is so long and that its drinks busine succumbed so easily to difficult markets.

In this climate it is a pity Bass - and others - are not joining Whitbread in cutting capital spending on pubs. Oversupply is now clearly running into sagging demand, and good returns from new outlets may flatter to deceive.

Bass's short-to-medium term earnings growth is now even more dependent on hotels - notably via the InterContinental acquisition - and its share buyback. And after vesterday's downgrades, the outcome does not look very exciting. If it can manage 58p of earnings in 1998-99, that is only 15 per cent up on 1995-96. This does not do justice to the board's strategic refocusing. But to reap full rewards it will now have to focus on nitty gritty management of flagging UK

The new accounting standard on provisions is to be welcomed for encouraging transparency and tightening up definitions of what can be provided for. This should curb the "kitchen sink" variety of provisions, where a management throws in every expense that can remotely be linked to a restructuring, citing prudence for making the bills as big as possible. One year of red ink - the transition year - and then those profit bar charts go neatly upwards because operating profits have been freed, in advance, of certain expenses. But although the standard will help curb abuse, it still allows plenty of - albeit properly detailed - provisioning. And charges spread over a number of years may still be wrongly disregarded in looking at "underlying" profits. There will be no substitute for ploughing through the notes on provisioning, and every reason to continue the trend

Zeneca to invest £50m in wheat project

By Clive Cookson

Zeneca, the drugs and agrochemicals group, is to invest £50m (\$83m) over 10 pany will also support 20 vears in a research collaboration with the John Innes Centre to develop genetically engineered wheat varieties.

campus, where 30 of its scientists will work. The comat John Innes, an indepen-

Zeneca will build a labora- funded by the government John Innes Centre to tory on the centre's Norwich through the Biotechnology develop "new wheat varietand Biological Sciences Research Council.

improved agronomic, indus-The announcement yester- trial and food uses". Du Pont new research jobs elsewhere day came a day after Du did not disclose the terms of Pont, a US competitor, put its agreement but it is dent plant research centre out a similar statement believed to be putting in

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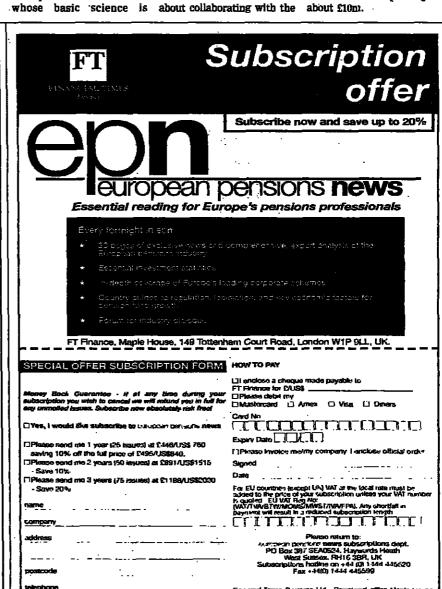
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isions of Article 9tet (B) (as) (II) is 242.35. frustee of the Breids: The Law Debetiture Trust Corporation ple By Andrew Edgecliffe-Johnson

Blakeney Management, an emerging market specialist which has invested \$300m in Africa and the Middle East, is pressing for board changes and disposals at Lonrho Africa, after declaring yesterday that it had bought about 6 per cent of the com-

that Blakeney, which has connections with funds controlled by George Soros, may call a special shareholder meeting to vote on its proposals for three new non-executive directors and a change of strategy, if the company does not agree to

Shares in Lonrho Africa, which was demerged from Lonrho, the former conglomerate, in May, rose 4p to 59%p, but remain well below group's net asset value, which analysts estimate at

car showrooms, luxury

seeking clarification of Blak-

It was "pleased to welcome investors who believe in the strengths and prospects of Lonrho Africa and who support Lourho Africa's fundamental objective to build long-term value for shareholders," it said.

Blakeney is led by Miles Morland, who ran the Lon-don office of First Boston until 1989, and owns 24 per cent of African Lakes, a London-listed group which has bought about 1 per cent of Lonrho Africa in recent

Mr Morland said yesterday: "At this stage, [Blakeney's stake-building) should not be seen as a prelude to a bid." He said a hostile bid would not be in anyone's interests: "Africa is a small place in investment terms their 94½p high and the and it is important that the people who invest in it keep on good terms."

He added, however, "We The group, a collection of have to keep all our options open. Analysts said Blake hotels and sausage factories ney may try to sell some of

ginneries, breweries and

The three directors proposed by Blakeney are Mr chairman of Ladbroke and Celltech and director of Billiton, and Lord Renwick of Clifton, a former British ambassador to South Africa who sits on the boards of Billiton, Compagnie Finan-

cièer Richemont and Liberty

International.

to £1.9m.

Mr Morland said Mark Newman, chief executive of Lonrho Africa, was "doing a good job under difficult circumstances." The group's interim results in June showed that the El Niño weather phenomenon, political unrest and currency devaluations had knocked pr-forma profits from £10.4m

Analysts said two US shareholders in Lonrho Africa, Greenway and Morgan Stanley, may also play an active role in any shake-up.

Lonrho Africa defended its board structure and its record on disposals.

Daimler plans to link with Mayflower

By John Griffiths

Daimler-Benz yesterday said It was planning a link-up with Mayflower Corporation, the UK engineering group locked in a takeover battle with Henlys for control of Dennis, the bus and specialist vehicle maker.

Daimler-Benz said the collaboration would explore "a number of technical possibildeclined to elaborate and said no specific agreements had been signed.

Mayflower is already a substantial supplier to Daimler-Benz's Freightliner truck operation and its Mercedes vehicle operations in North America.

John Simpson, Mayflower chief executive, the collaboration would go ahead irrespective of whether Mayflower gained control of

It would cover technical support from Daimler-Benz and new bus chassis development and possible supplies of Mercedes-Benz

Carlson and WestLB close to deal

Daneshkhu, Leisure

Carlson Companies, the Minneapolis-based travel business, and Germany's Westdeutsche Landesbank are thought to be close to agreeing a merger of their UK package holiday inter-

A deal would lead to the enlargement of WestLB's Thomas Cook group, the UKbased high street travel agent and one of the oldest names in the package holi-

It would also pave the way for an eventual stock market

periodically contemplated.

fer its recently-acquired Inspirations package holiday business into Thomas Cook in exchange for a stake in the enlarged business, possibly of 25 per cent. Thomas Cook is the UK's

fourth largest tour operator after Thomson, Airtours and First Choice, and is the third largest travel agent. Lunn Poly and Going Places, owned by Thomson and Airtours, respectively are the

Carlson paid £42m (\$70m) for Inspirations last year but

flotation of Thomas Cook, an is taking legal action against is not allowed to own more option which WestLB has eight former Inspirations than 49 per cent of the directors, including Vic carrier. Carlson is likely to trans- Fatah, the founder, for Carlson entered the UK travel market in 1990 with alleged mis-statement and

> misrepresentation relating Carlson recently turned down an offer by the former directors to buy back Inspirations, saying it had no intention of pulling out of the UK travel market. It is doubling the number of Inspirations holidays from

350,000 next summer. However, it has been seeking a partner for Inspirations' Caledonian airline

the purchase of the AT Mays known as Carlson Worldchoice, after forming an alli ance with Artac, the inde pendent travel agency chain. A merger would make

Thomas Cook the UK's largest travel agent with more Cook, which became one or the UK's largest operators in 1996 with the purchase of Sunworld, recently bought

Hyder to pull out of Czech Republic

Hyder, the Welsh utilities and infrastructure group, is outting its 35.8 per cent lic's second biggest water company up for sale.

Hyder paid some \$7m for its stake in Severočeske Vodovody a Kanalizace (SčVK), north Bohemia's water company, in 1995, giving an undertaking to the government to stay for five

under a government framein two smaller water companies and runs an operating concession for Prague's suburbs, it is the country's most profitable water company, making Kč105m (\$3.4m) profit last year on turnover of Kč1.83bn.

Hyder is However. believed to have become disfrom its Czech operation. Water consumption has fallen steadily because of

work - by local municipalities, who have built up a 31 in ScVK and are keen to

that, as a minority sharebolder, it was "not best placed to address the major issues" facing ScVK, and so had retained Dresdner Kleinwort Benson to investigate the possible sale of its shareholding.

Hyder is also under pressure in the UK from the

iffs by the UK water industry regulator.

an estimated gearing of 280 per cent, finally decided that ScVK, its only foreign venture of this kind, no longer

Graham Hawker, Hyder's chief executive, said: "Our principal focus for investment will be UK private finance initiatives and specific overseas opportunities.

Antiques buff picks curio for his collection

Investors have welcomed the move, writes Andrew Edgecliffe-Johnson

B lakeney Manage-ment's offices by the Thames in Chelsea for expanding its agriculare decorated with exquisite African antiques which have been sought out by Miles Morland, its founder and

The emerging markets specialist applied the same dis-Lonrho Africa.

Blakeney has made few. Blakeney seems likely to astute adviser for wealthy investors interested in Lakes. Africa, for whom it now manages \$300m (£180m). Mr of saying explicitly that a Morland's view is that the "true" emerging markets are Africa and the Middle East.

Asia, Latin America and Eastern Europe, he says, are not the virgins of the investment world which most emerging market fund managers say they are, but 'raddled old streetwalkers", lacking the investment parent at a turbulent time in opportunities available when they were first discovered, he wrote in a recent memo

to Blakeney's shareholders. Of late, the strategy has been proved right - so much so that Blakeney offered to waive half of its performance fee, which rocketed this summer as Blakeney's fund outstripped the benchmark emerging markets index.

Mr Morland's focus on the least fashionable emerging markets has given him a close knowledge of African markets and an impeccable list of contacts, including high-profile investors such as George Soros, Nick Roditi (the Soros fund manager now in control of Plantation & General) and Scudder Stevens, the US institution.

Until yesterday, Blakeney's only appearance on the UK corporate scene had been its decision last year to take effective control of African Lakes, a 120-year old collection of agricultural assets, motor distributors and busi-

has recapitalised African do just that.

tural assets in east, central and southern Africa.

and Mr Morland (who sits on the African Lakes board) cerning taste for African admitted that the company assets yesterday to start a "may have an interest in long-awaited auction for some of the assets" of Lonrho Africa.

forays into the limelight, but apply the same no-nonsense it has earned a name as an approach to Lonrho Africa as it has shown at African Mr Morland stopped short

> break-up is on the agenda, but said "as far as we can see there are no sacred Chris Taylor, an analyst at

Standard Bank, said yesterday "Blakeney can bring a lot to the party.' Lonrho Africa, he said.

had been spun off from its its markets and "like a youngster stuck out in the storm was floundering a

r Taylor predicted involvement will lead to a swapping of assets between various "African portfolio companies", such as African Lakes, Plantation & General, and Prince Al Waleed bin Talal's Saudi

Africa fund. John Clemmow of Invested gave a starker verdict of yesterday's events, saying: "For Lonrho Africa, it's over." However, Blakeney need not resort to a bostile bid even if Lonrho Africa turns down its request for board representation and a shake-up of

strategy. If it is rebuffed it should have little trouble getting its way. It would need just 10 per cent of the shares to call a shareholder meeting to vote on its proposals.

Many shareholders, who have so far seen little to sup-With a 26 per cent stake, and the support of fellow that they would realise the shareholders Mr Soros, true value of its assets, Scudder Stevens and British sounded relieved yesterday Empire Securities, Blakeney that somebody had offered to

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Modified historical cost		6 months	6 months
		ended	ended
		30 June	30 June
		1998	1997
		£m	£m
Turnover (excluding share of Operating profit/(loss)	of joint ventures)	2,275	2,347
Ti	ransco	674	745
. в	G Storage	25	21
	xploration & Production	93	57
	itemational Downstream	(3)	3
	ther activities	(2)	(6)
		787	820
Share of operating profit in			
and associated undert	aldngs	27	23
Profit on discosal of fixed a	essets		
and subsidiary underta	akings	74	66
Net interest		(177)	(150)
Profit before taxation		711	759
Taxation ^m		(234)	(787)
Minority interest	_,	(2)	
Earnings/(loss)	·	475	(28)
Adjusted earnings (excluding	ng disposals and windfall tax)	409	444
Earnings/(loss) per ordinary	share	12.1p	(0.6)p
Adjusted earnings per ordir	nary share (excluding		
disposals and windfall		10.4p	10.0p

Including discontinued operations (le those activities transferred to Centrica on 17 February 1997) and demerger adjustments, the Group loss for the period in 1997 was £532 million (12.0p loss per ordinary share). The Group's adjusted earnings for the period in 1997 (excluding demerger adjustments, windfall tax and disposals) were £534 million (12.0p per ordinary share).

Pinctudes £514 million windfall tax charge for the period in 1997.

Interim dividend per ordinary share

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Operating profit down 4% to £787 million

Adjusting earnings per share up 4%

Interim dividend raised by 7.5% to ₹3.3p

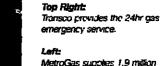
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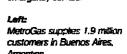




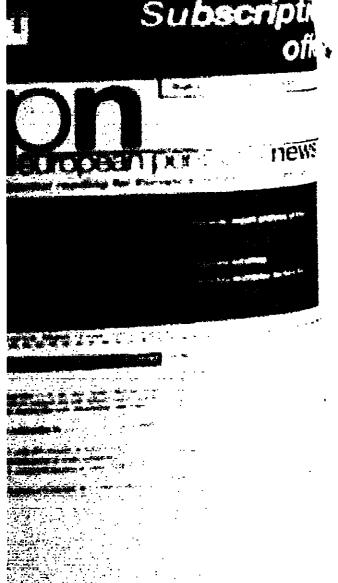












£50m in wheat project

Europe rallies ahead of testimony

EUROPEAN OVERVIEW By Philip Coggan **Harkets Editor**

Tuesday's losses as investors 1,080. The strongest of the its warning. awaited testimony from three main indices was the man of the US Federal focuses on countries in the fall in Nycomed Amersham, taken a battering.

Mr Greenspan was set to or 1.2 per cent, to 898.5. testify, alongside Treasury secretary Robert Rubin, after restaurants sector suffered European markets closed its second consecutive bad but the hope was that he day, dropping 5.4 per cent, might hint at an imminent thanks to the UK group US interest rate cut. That, Bass, which fell Ecu 1.3 to

FTSE Eurotop 300 Eurobloc

The FTSE Eurotop 100 sector, dipping 5.5 per cent. 0.8 per cent, to 2,480.58 while 494.34 on market rumours, utilities and retailing. markets the broader Eurotop 300 was denied by the company, that

strong performance by Wall downbeat trading statement.

down Ecu 0.3 to Ecu 5.15 in core euro bloc. It rose 10.56, thin trading.

day for once.

Street and Latin America, Information technology ing sectors (ex-UK) since the gave Europe's bourses a lift. was the worst performing correction began on July 20 index gained 20.52 points, or SAP fell Ecu 27.2 to Ecu sives of pharmaceuticals.

However, a couple of nonrebounded yesterday after 10.64, or 1 per cent, ahead at it was about to issue a prof- defensive sectors - media and energy - have also held And healthcare had up relatively well, perhaps Alan Greenspan, the chair FTSE Ebloc 100, which another bad day, thanks to a because they had already

The worst performing sector has been the banks -Banks and insurance because of their exposure to stocks, generally battered on emerging markets - followed emerging market fears in by the classic cyclicals of recent weeks, had a good chemicals, steel and engineering. However, technolo-Figures from the European gy's reputation for high together with Tuesday's Ecu 10.49 on the back of a strategy team at J.P.Morgan growth has not protected it

show that the b	est per	form-	from t	be down	iturn.	
FTSE Actuar	ies Sha	re Inc	lices	E	monea	n series
Produced op conjun						
September 16			_			
National & Regional	Ecu	Day's	change	Yleid	xd adi	Total rato
Markets	Index	*_	points	gross %	ytd _	(Ecut
FTSE Eurotop 300	1080,00	+0.99	+10.64	263	22.78	1109.21
FTSE Eurokop 100 FTSE Ebbc 100	2480.58 898.50	+0.63 +1.19	+20.52 +10.56	2.60 2.25	34.08 14.09	886 <u>-</u> 97 311.06
FTSE Eurotag 300 Region	 -					
Eurobioc	1132.20	+1.16	+12.96	2.29	20,54	1155.28
UK Samue Sa Bankha	998.49	+0.69 +0.82	+6.81	3.23	29.32	1042.00
Europe Ex-Eurobioc Europe Ex-UK	1037.84 1127.05	+1.15	+8.48 +12.77	3.01 2.35	24.00 19.11	1070.43 1147.23
FTSE Eurotop Industry Se						
RESOURCES	861.81	+0.22	+1,88	3.38	25.41	897.20
Expactive Industries	732.32	-0.77	-5.85	4.79	8.84	739.56
(N), integrated	834.18	+0.21	+1.72	3.30	18.25	850.80
Oil, Exploration & Prod	657.32	+7.15	+43.86	5.13	11,59	671.06
GENERAL INDUSTRIES	1001.72	-0.38	-3.86	2.82	19.53	1021.02
Construction Balking Mails & Merchs	934.98 832.50	+1.71 +1.45	+15.73 +11.86	2.72 3.14	11,06 8,05	945.86 838.70
Chemicals	820.97	+0.44	+3.58	295	16.67	834.85
Diversified Industrials	919.87	+1.13	+10.25	2.38	17,48	935.65
Bectronic & Bect Equip	847.59 853.57	-2.55	-22.15	1.99	4.89	851.68
Engineering Paper, Polog & Printing	739.70	0.00 0.63	-0.02 -4.71	3.95 3.17	9.57 1.21	851,55 740,62
CONSUMER GOODS	1095.17	+0.99	+10.74	1.68	15.57	1122.15
Automobiles	878.43	-0.03	-0.30	2.98	10.25	896.57
Alcoholic Severages	834.13	+1.72	+14.13	2.62	6.48	839.84
Food Producers Household Goods & Texts	889.01 954.15	+0.58 +2.07	+5.15 +19.38	1.81 2.05	9.79 7.01	897.52 960.38
Healthcare	815.31	-5.17	-44,49	1,46	9.52	823.60
Pharmaceuticals	985.01	+0.98	+9.55	1.32	4.81	989.87
Tobacco	1118.94	+0.52	45.7 <u>4</u> _	3.94	1,81	1121.05
SERMICES	1129.78	+0.58	+6.49	233	21.18	1159.35
Distribution	743.41	+0.30	+2.24	2.98	11.37	751.76
Leisure & Hotels Media	717.10 956.70	-0.50 +0.70	-3.59 +6.65	3.50 2.43	12.27 9.63	726.48 965.62
Retailers, Food	1014.44	+1.80	+17.98	294	11.37	1026.19
Retailers, General	997.51	+0.19	+1.90	3.45	16.53	1013.77
Telecommunications Breweries, Pubs & Rusts	1035.81 <i>734.8</i> 9	+1.59 -5.42	+16.23 42.08	1.89 3.68	13.02 14.20	1048.49 746.06
Support Services	911.80	+0.04	2.05 +0.38	1.64	6.84	918.18
Transport	910.39	+0,39	+3.49	2.69	15.00	923.94
Information Technology	1088.86	<u>-5.54</u>	-63.87	0.38	123	1091.14
MULTIES	1374.87	-0.29	3.93	3.20	53.32	1449.07
Beciricity Gas Distribution	1039.25 1060.76	+0.52 -3.05	+5.38 -33.39	3.37 1.72	26.23 84.81	1067.01 1158.44
Water	7063.34	-3.05 +0.41	-33.25 +4,32	4.81	38.72	1103.95
FINANCIALS	1113.07	+2.65	+28.81	3.04	26.45	1141.86
Banks, Retail	767.98	+2.60	+19.43	4.00	12.59	777.87
Insurance	858.30	+3.35	+28.22	1,50	17.45	878.43
Life insurance	1003.10	+1.21	+12.03	1.69	9.10	1011.72
Other Financial Investment Companies	778.16 871.17	+1,81 +0,76	+13.83 +5.57	2.62 2.94	14.05 20.66	789.15 867.46

FT SYNTI	HETIC	euro ra	TES				Synthetic S oer earo	, Limb of	inner —		٠ .	1		*
Sep 15 .	Contract	tory bound	Charge or day		(Cange OR section	Carge met 5	1.20				- -		3 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 -	- T
Europe		_												
Austria	ATS	14.060100	-0.0003	+6.00	-0.0012	-0,91	1.18							
Belgium	9EF	41,220298	-0,0103	-8.02	-0.9167	-0.04		à						F
Czech Republic	CZK	35,997434	+0.1583	1044	+0.8084	±2.30	1.16	₩						
Denmark	DKK	7,621390	+0.0142	+0.19	-0.0036	-665	7,10	—I \						•
Finland	PM	6.083373	-0.0004	-8.01	+0.0051	-0.08		/ T						1
France	FRF	6,699683	+0,0002	+0.00	<u>-0.0017</u>	-0.03	1.14	711	<u></u> ,———					
Gernseny	DEM	1.996179	-0.0001	-0.81	-0.0002	-0.01	N/I	IVI '	L			AAA		
Greece	GRO	343.196502	+0.5804	+0.17	+1.5231	+0.45	1.12	' T _	V"\	L		13817	//-	H
Hangary	HUF	259.538283	+0.3517	+0.33	+2.9047	+1,13				A1.		5. /V	· I	W
iralgod	Ø	0.798324	-0.0001	-0.02	+0,0017	+0.14			i i	// L			W	7
taly	π.	1973.720418	+0.4255	+0.02	+0.9028	+0.04	1.10		[ነ የ			•••	
Lugambourg	LUF-	41,220298	-0.0103	-0.02	-0,6167	-0.04	•		, i	•	ጣ/		•	
Netherlands	HE_G	2.253430	-0.0004	-0.02	-0.0018	-0.06	1.08					بجسيست		
HOLMSA	HOK	8.911975	+0.0242	+127	-0,0560	-0.62	Seo	97				1998 .		Šģ.
Poland	PLN	4.243318	+0.0352	+0.84	+0.0809	+1.54	July	4.					-:-	12.2
Portugal	PTE	204.790822	-0.0226	~0.01	+0.2367	+0.12	Source: FTSE							
Romania	ROL	10731.183115	+97,9472	-0.92	+277.4530	+2.65								
Russia	FUB	13.029030	+2,9971	+29.88	-11.5363	-47,31				W 05	· · ·		•	
Slovalda	SKK	41,132649	+0.1649	+0.40	+0.3968	+0.95	EUROZO	INE GL	IKKEN	37 GL	MACL	RGENCE		
Spain	ESP	169.703119	-0.0063	+0.00	+0,0684	+0 04				0.14-6				
Sweden	SEK.	9.174688	-0.0673	-0.73	-0.0155	-0.17	Biblistal CONVE						Forward	CHIEF Int
Switzerland	CHF	1.549831	+0.0021	+0.13	+0.0129	+0.79		Fired	Market	DH 144	Week	Forward	ini rite	1000 400
United Kingdom	6BP	0.707713	+0,0079	+1.14	+0.0103	+1.45	Sep 16	:ate	(30)	v mkt %	ago %	rate	MIT TANK	
ECJ	ECU	1.017367	+0.0008	+0.08	+0.0019	+0.19	Austria	7,03552	7,0365	+0.01	+0.01	7.038	3,55	+0.07
Americas		1.396738	. 0 0404	- 0.87	+8 (37)	+2.73	Belaium	20.6755	20.6307	+0.03	+0.05	20.5338	3 53	+0.05
Brazil Canada	BRL CAD	1.3962,98	+0.0121 +0.0040	+0.22	+0.0167 10.0164	+213	France	3.35386	3.3548	+0.03	+0.10	3.3553	3.53	+0.05
Mexico	MOCH	12.093309	-0.2676	+022 -217	+0.2729	+2.31	Finland	3.64001	3.0451	+0.17	+0 09	3.045?	3.55	-007
Michigal States	IISO	1,184457	+0.0111	+0.95	+0.0287	+2.48	Iretand	0.402675	0 3998	-0.71	-0.85	0.4019	53	+1.82
urieu şazes Pacific/Middle Es		1,1040/	TQ.0111	T4.03	TU.020*		Raky	990.002	987.8532	-0,22	-0.28	991,8199	4.87	+1.39
Australia	AUD	1.968822	+0.0171	+0.86	+0.0301	+1.53	gwodensout	20.6255	20.6307	+0.03	+0.05	20,6336	3.53	+0.05
Hong Kong	HKO	9.175346	+0.0884	+0.97	+0.2197	+245	Netherlands	1 12574	1.1279	+0.10	+0.29	1.1275	3.36	-0.12
Japan	JPY	157:243629	+1.1262	+0.72	+4.3604	+2.85	Portogal	102.505	102.4885	-0.02	-0,01	102.6747	4.11 4.25	+0.63
Singapore	SGD	2.042597	+0.0081	+0.40	+0.0472	+2.37	Spain	85.0722	84.9184	-0.18	-0.19	85.1083	348	+0.77
South Africa	ZAR	7.284412	-0.0195	-0.27	+0.0809	+1.12	Germany	<u> </u>		+0.00	+0.00			
Source: FTSE Internation control currencies, ca until January 1 and broad currency value M.C. O.19577, REF 0	iculated by a the lable sho ution trends.	polying GDP weight old not be used as	es to Euro "in" a process gold as ballows: Di	Outrencies of to its value OM 0.3364.	. The Euro will e. it is designed FRF 0.2217. IT	ngi esisi d is snow	Source: The West tocharge rates to these forward ex- rates and the DE calculated by rate	p 31/12/96 k strange rates Sil tonward in	njerpolatecj fr Ditt int rajes terest rabs for	um saurkad () • 1004 am r 31/12/98;	puotes, torv puotes, torva DEN forma	ng esterent inte 5 peterent inte 13 peterent inte	es ar so foi train	gaptania Sa melmar

Sep 16	2 yrs	5 yrs	7 yrs	10 yrs	50 At2	30 yr
"File"						
Austria	-0.03	+0.05	+0.19	+0.02	-0.20	+0.10
Bekalum	-0.06	+0.01	+0.10	+0.08	+0.09	+0.0
Rnland	-0.23	+0.04	+0.16	+0.17	-0.34	-0.6
France	-0.73	-0.11	-0.09	0.06	-0.04	-0.1
Germany	-0.18	-0.08	+0.00	-0.26	+0.01	-0.2
bredant!	+0.44	-0.12	+0.02	÷0.12	+6.22	40.49
staty .	+0.31	+0.26	+0.30	+0.25	+0.20	+8.2
Lutembourg	-0.06	+0.01	+0.10	+0.08	+0.09	+0.0
Netherlands	-0.11	-0.02	+0.03	~0.08	+0.04	-0.1
Portugal	+0.00	+0.13	+8.20	+0.18	+0.50	+0.3
Spain	-0.04	+0.13	+0.22	+0.77	+0.24	+0.26
0UTa	-0.04	TU,12	TUZZ	TU.41	7027	+0.21
Dermiark	+0.72	+0.54	+0.58	+0.43	+0.33	+0.56
Greece	+8.27	+5.60	+4.75	+339	+2.94	+2.80
Sweden	+0.56	+0.59	+0.63	+0.50	+0.47	+0.13
						-0.27
smale) UK Source: Interactive ()	+2.29	+1.45	+1.28	+0.73	+0.30	-

EUROZONE CORPORATE BONDS 5,000 8.375 5.250 6.375 102 723 118,170 106,150 110,124 3,95 4,55 3,99 4,90

Sep 16	S & P rating	Red date	Coupn	Currency code	Spread	Spread Wik ago	Spreed milb ago
KPW	AAA	01/09	5.008	DEM	+0.12	+0.04	+0.02
France Telcors	AA+	11/06	6.250	FRF	+6 21	+0.19	+0.14
Halitax	AA.	07/07	5 625	DEM	+0 32	+027	+0.15
iog Bank NV	AA-	01/08	5 500	M.G.	+0.17	+0.20	+0.17
Bayer Hypo W Ek	AA-	02/02	6.750	ΠĹ	+0.29	+0.27	+0.34
Cred Foncier	Ä	02/03	7.250	DEM	+0.51	+0.49	+0.31
Thorason-Brandt int	A-	03/04	6.375	FRE	+0.40	+D.41	+0.42
Generale des Eaux	B88+	03/04	6.250	FRE	+0.34	+0 35	+0.33
Bank of China	BBB	07/99	7.125	DEM	+2.79	+3.18	+1.62
Nati Sk of Hungary	BBB-	05/01	9.000	ATS	+1.83	+1 15	+0.97
Korea Dev Bank	BB+	11/02	5.625	FRF	+9.54	+9.82	+6.50
Argentine	BB	04/08	8.125	XEU	+8.17	+8.35	+3.74

DJ Stepas 50	_		5.97 2				2574,51			2900.26	Investment Property	Companies		871.17 774.68		0.76 0.25	+5.57 +1.92	2.94 3.44	20. 16.		887.46 788.93		Source: Interactive (InterFT Information, Tab curves for each corrency and conspans to
DJ Euro Stx 5 MSCI Europe Source: Edel/g		ą.		070.53	1078	155 3658.48 126 1315.55 vision next day.	2466,81 960,50 (u) unass	1315		2865.52 510.78	Footste' are	registered tra todar icesce.	de marie Consep	of The		Styck:	TSE international l Exchange and Th ago, of the Amate	ne Reanchi	Tens a	dan i	sed by F	াছ Γ	
FTSE	EUR	TOF	2 30	00		~.				.	- .					٠.					٠.		
liane	Price (Ecu)	Chga W		Tol (m)	Y)4	Rise	Price (Graf)	Chps		(m) 1/2	Jane	Price (Ecu)		Milit carp Ecuphay		W.	, lame	Price (Eco)	Chge ! +#-			- 	C S PO C P PO C S PO C P PO P PO C P PO C P PO C P PO C P PO P PO C P P PO P P PO C P P P P
ALCOHOLIC E	EVERAG	ES				DISTRIBUTO	R\$				HOUSEHOL	D 6000S	& TEXT	ILES			PHARMACE	UTICALS					City of Stockholm
Alled-Dom Carlotory A Carlotory B Diagno Reliefum 1 YNG!	9.97 50.19 51.53 8.59 41.28 140.03	-1 +13 +13 +2 +3 +3	7.2 21 1.8 30.8 12.9 12.5	25 67 15	52 08 08 38 09 24	Aldes Salem Beckerpups GENE Perus	98.89 5.29 \$2.18 71.52	41 +2 +67 RIALS	29 21 38 38	93 03 0,1 3,1 - 13 0,1 1,4	Caulation Di	51.09 12.04 75.13 408.18 12.67 531.78 128.58	-1,4 +2,7 +,1 +22 +17,2 -7 +18,6 +1,7	43 46 45 22 52 19	0.1 0.1 0.1 0.9	15 21 21 13 45 28 12	Acto A Clary Worle House's R Hose Horses, Macre Postus Rocke Hold & Saced Schering	1504 363 1,483 & 127 07 37.54 10,028 &7 1(129 92.70	+2 +225 -1 +1 +90 8 +8	825 144 948 124 124	5.9 1 0.1 (2.6 1 2.6 1	19 10 15 15 15	US\$325,000,000 Floating rate notes 1999 Natice is hereby given that the notes will bear interest at 5.4375?
AUTOMOBILE	_					Garataro AS. Investor B.:	8.51 36.49	-4 -3	29 41	03 26 04 30	THFORMAT	ION TECHN	OLOG)	,			Scald Behra Symboloba Zanecz	78.24 387.50 37.65	+2 +37 -3	57.1 7.8 31.4	- (1.6 1.6 2.7	per annum from 17 September 1998 to 17 December 1998.
greps Golinher Henz Fint Toward	971.E2 78.65 2,74 194.23	2	15.3 44.8 12.8 7.7	84 344 81 13	13 18 23 83	Investor Mandaclaren RIGE Pol	27 425 48 2H	-4 -18 +8	28 51 225 27 24 24 42	(1) 21 419 23 43 17 41 25	200 PmR	138.36 491.34	-83 -272		82 61	6.4 6.3	PROPERTY		-	•~		ָּ ֓֓֞֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֓֡֓֓֓֡֓֡֓֓֓֡֓֡֓֡֓֡֓֡֓	Interest payable on 17 December 1998 will amount to US\$13.74 per
Paugust Resoutt Yorkshages Vehn A Yeke B	45.75 63.36 21.17 21.95	12.1	9.8 22.9 2.9 6.6	1.3 0 1 1.1	13 13 18 18 18 18	Shar-Lyan de Toutins You Thouasi	158.58 352 59.84 156.23	+8 +1.5 +2 +3 -7	24.1 42 25.0 31.0	Q1 25 B8 14 14 56 Q3 22 Q3 12	HISURANCI	53.96	-40	523	1.2	u	By Land Land Sec MEPC	8.02 12.99 7.92	-1 +2	4.2 7.2 2.4	U 3	19 19	US\$1,000 note, US\$137,45 per US\$10,000 note and US\$1,374.48 per US\$100,000 note.
	(1.50				~	•	_	•		-	Anchen Wich (Alliegez Allied Zuric	132,57 261,05 14,08	+1 +82	7.5	- 1	16 14	RETAILERS,	F000					Global Agency and Trust Services,
BANKS RETA						ELECTRICITY Editor	2.13		5.2	13 1A	AGF Baldier (Flag	47.51 678.50	+39	158 158 8.8	148 05	1.6 36	Asin Anoid	251 27.85	-1 +7 +207	80 15.8	100 2 39 1 0.1 9	15	Citibank, N.A., London 17 September 1998
ARM Angre Abbry Hats Alford (state Almontis Angestacia Tanca Comm	17.84 17.18 11.46 18.24 18.27 4.82	년 - 1 2 4 4 1 4 - 1 4 4 1 4 1 4 1 4 1 4 1 4 1 4 1 4 1 4	243 94 94 94 94 94 94 94 94 94 94 94 94 94	A1 27 144	34 21 05 13 13	Bestatel Best de Por Engage Berdrolle Hes Brid Yes Pover	313.44 22.16 16.29 14.20 63.7 7.77	44	17.1 4.1 18.5 12.8 9.6	19 14 19 14 14 27 43 14 52 61	CCU Ergo Vectich Furte AG Gunerall 6 % E FOG	11 11 12 45 21 55	-1 -2 -1 -1 -22	17 B 11.5 18.7 28.7 21 47.0	2.1 2.1 10.5 7.8	16 85 12 07 56 24	Carrelour Capitas Promodes Safestory Safestory Tesco	\$49.80 \$7.90 \$38.09 4.50 8.14 2.47	+29 +29 +36.7 +.1	21.2 73 19.1 5.1 15.5 18.4	21 6		CITIBANCO
Note Reference. Names (subper Names of Nove	438 438 487 1,67	7777	10.6 10.6 7.3	72 94 a	1.3 0.7	Power@ass Scot Power	12 14 8.25	+1 +1	7,5 9.8	15 43	Marrich Rosch Ras Resul San Al	19.12 7.28	+15.8 +5 +3	31,4 51 11.4	12 73	03 1.7 C	RETAILERS,	GENERAL				ĺ	
Barca Mibee Barca Mispan Spaca Carnoss Barca Popula	121 151 26,74 62,86	77.72	18.9 9.5 4.4 7.5	15.4	21 1.1 18 21	Suggest El Traciscol	9.08 14 4.39	41	(4 125	28 47 - 13	Rejal San Al Skanda Sedan Re R Zarich Albe	1095 1,953 15 513,21	+2 +87 8 +23 4	5.8 28.6 24.9	1.5	14	Books Ticons GUS	1425 8.71 1046	-1 -3 -3	130 38 105	22 2 119 2 15 J	1 2	
Banco de San Lant Applica	13.88 43.12	414 44	16.6 3.5	4	2.0 2.4	ELECTRONIC	& BLECT	HICAL I	80PT.		(N/ESTME)	IT COMPA	NIES				H & M B Hagister Harts & S	67 12 731 687	-12 E+ 1-	12.3 10.6 18.7	05 0 108 2 68 3		
Stank of Ital Bant Scot SHP	12.49 1.77 92.41	-1 -2 -27	7.0 19.7 12.3	13 1,1	22 29 15	ARBA ARBART Membal SA	9.01 2,005.98 1 40.98	+1 +5.4 -11	8.5 28.6 28.6	41 26 - 23 21 12	3 9ap 681.	7 15 1 55-50	*1	43 35	23 2	2.8 2.5	Metro Ali Pionali Prin	51.83 188.4 ₁	-2.9 1.1	12.1	11 2 12 6		
Barckeys Zwy Nypo Vor Communicank	16:30 72:81 26:51	-21	24 5 39.1 12.6	똂	13	Grizzanou B GEC	1753 870	-1J	34 î 183	27.4 11 58 31	LEISURE &	HOTELS					SUPPORT SE	HVICES					
CCF CC Server (Re Credite test Conside Rank Credite test Develope Ran FurchingsSca	1225 17478 4.01 10875 5228 2884 27.89	10 10 10 10 10 10 10 10 10 10 10 10 10 1	44 34,8 11,5 57 27,9 20,3 7,7	Q1 Q1	25 15 16 16 16 16 17 17	Lagurates Lateneyer Lagrand Hotels A Hotels K Politics Schoolder Signments	215.14 71.51 14.37 44.97 49.95 57.24	444444	19 15 12 17 17 17 17 17 18	22 26 - 1.7 - 23 08 23 08 21 18 27 18 28 20 04 13	Acon Gerada Laduroie Rank Graup LIFE INSURA	282,22 10 78 3.54 3.92	-15 -4 +2 +1	7,5 9,8 4,2 3,0	61 1 37 2 29 2 32 1	15 19 19	Adecca (Br) Hags Ratin A Ratin B Rengold in Entents TATT Post Gro	35.20 13.45 140.45 138.44 170 176.48 22.00	+126 +5 -28 -54 -2 +3 +5	67 68 09 28 135 58	13 9	4 1 2 2 3	PANOVE PARIE AS
MSRC (TSp) MSRC (MS10) MSRc)	16,69 16,23 11,38	-2 -3 •1	14.7 29.4 28.0	70	1.7 5.8 3.8			_			Angos Alignom Ans	78.53	+.5	40	29 1	2	Willers	186		15	60 5	¹]	BANQUE PARIBAS
KBC Nytdiago Llayds/SB Marifolymen Marifo A Hot West No-Shanken H	66.16 10.17 10.02 4.34 13.42 4.89		195 643 62 13 229 62 103	11 12 13 13 13 13 13 13 13 13 13 13 13 13 13	12 21 23 45 45	ENGINEERIMA Ata Capeo A Ata Capeo B BTR Brit Aero &r Send	16.85 18.80 1.74 5.24 5.45	-1 -1 -3	23 13 67 45 28	02 25 01 25 75 03 70 17 14 124	legal 2 Geo Prodential MEDIA	234 1630 1198	+5 +4 +2 +1	121 121 203	15 0 209 7 21 2 20 7		TELECOMME ST Cable 5 W Deutsche Tel France Teles Official	12.21 E-43 26.80 66.91 1.96	+4 +3 +5	78.5 20.3 18.5 16.2 6.3	10.5 2 45 2 6.7 2 12 1. 22.5	1 1	US\$200,000,000 Undated floating rate securities For the interest period from 17 September 1998 to 17
Paribus Robe Bassca Ryl Bit Scot Sun Pacife S. F. Barriera A Suc Generale Stand Crefs Str Handelsb tt8S AG (Perjb	12.45 17.14 10.81 9.16 122.56 6.34 13.56 274.87	-37 -3 -3 -3 -2 -2 -1 -1 -3 -3	97 88 88 87	232224	1.5 4.6 6.5 1.6 2.6 5.6	Degrama Skil Linde Lucasiurity Alexi Manuseanam Backeda 3 Pireli Spa Presson	42.81 9.55 519.63 2 60 265.54 66.27 28.88 2.76 303.88	なるない。	49	- 13 40 23 - 13 65 31 - 25 62 64 63 15 128 22 - 20	B Sky B Casal Ples Cartiel C Daly Mail A SM Elector Helispet Pagson Polygrans	7 24 294.81 5.96 26.68 5.76 12.57 6.42 16.01	+14 +2 -9 -1 41 +4 +4	125 25 25 25 45 84 84 84 82 82	61 T 27 4 53 4 24 3 13 2 20 2		Orange Postagoi Tel BOYAL KPyr Securizar Tale Darmank Talecam bal Tale Talecturiza Volunturi	8-17 10-18 31-34 6-69 97-20 8-12 5-18 12-10 12-10	+13 +24 +1 -1 -1 +18	46	26 35 21 06 01	9 5	December 1998 the securities will carry an interest rate of 5.8125% per annum. Interest due on 17 December 1998 will amount to US\$14.69 per US\$1,000 security.
BREWERIES, F	1100 = *	E674P	DAUT			Sandville, Ä Scante A Scanta B	17 56 1797 1797	-2 -1 -1	1.5 1.5	03 44 03 34 04 34	Read Int. Residus	717 742 853	+1 +1	145	38 3	17	TOBACCO						Global Agency and Trust Services
Ress Comments	10 49 8 46	-1 5 -2	83 57	3.2 20	Q7	Slebe Sanicts led Ti	3.13 18.86 5.50	• Z - J	66 34 28	31 1.9 12 31 07 43	ijid News Yepp Stylana Kluw	4 86 157.18	-1.4	43 36 102	15 4 42 0 84 8	4	Pit Am Top Salater Laperal Top	6.30 5.71 7.96	-1 :	39 41	93 EL 22 SI 14 SI	;	Citibank, N.A., London 17 September 1998
Scal & New Williamsd	10 49 11.28	-7 +2	65 56	124 21	4.1 4.2	Deposite CSF Diposite Octoor	32.54 164.18 9.22	-18 -2 -3	14 14 22	u 17 11 M	OIL, EXPLO	ATION &	PRODU	CTION				1.089.56	+51.9	5.7	1.2	' 	CITIBANCO
			m40 2 2			April April America	#UR 71.57	•7.5 -5	17,7	- 11	iga s print	5.64	+.4	u	15 \$	•	TRAKSPORT	••	-9	22	04 ~	.	
BUILDING MAT	IERIALS	o Men	الالازي	S							OIL, INTEGR	ATED					ACRES BAA DAS ACRES D	13 859	-3 -1	23 91	24 25	•	

7.36 17.50 57.51 20.14 12.45 1.713.57 12.10 5.01 7.33

City of Stockholm US\$325,000,000 Floating rate notes 1999 Notice is hereby given that the notes will bear interest at 5.4375% per annum from 17 September 1998 to 17 December 1998. Interest payable on 17 December 1998 will amount to US\$13.74 per US\$1,000 note, US\$137.45 per US\$10,000 note and US\$1,374.48 per US\$100,000 note. Global Agency and Trust Service Citibank, N.A., London 17 September 1998

Christiania Bank og Kreditkasse

(Securporated in the English of Nissan) with Emised Entitle)
U.S.\$250,000,000
Floating Rate Subordinated Notes Due 2001

Notice is hereby given that the Rate of Interest has been fixed at 5.375% and that the interest payable on the relevant interest Poyment Date March 17, 1999, against Coupon No. 25 in respect of US\$10,000 nominal of the Notes will be US\$270.24 and in respect of US\$250,000 nominal of the Notes will be US\$6,756.00.

September 17, 1998, London Br. Crithonk, N.A. (Global Agency & Trust Servicest, Agent Bank CITIBANCO

GOLD FIELDS OF SOUTH AFRICA LIMITED

("GFSA")

Results of the general meeting

1. Results of the general meeting Rand Merchant Bank Limited is authorised to announce that, at the general meeting of GFSA shareholders held on Wednesday 16 September 1998, the requisite majority of GFSA shareholders approved the special and ordinary resolutions required to implement the distribution, in terms of section 60 of the Income Tax Act, 1993 (Act 113 of 1993) of GFSA's interests in Gold Fields Limited ("GFL") and Standard Bank Investment Corporation Limited ("Stanbic") by way of a dividend in specie and reduction in share premium ("the share distribution").

Conditions precedent
The share distribution will become affective on Monday 19 October 1998, subject to fulfilment of the following conditions precedent: the High Court of South Africa (Witwatersrand Local Division) confirming the reduction of the company's share premium in terms of section 84 of the Companies Act, 1973 (Act 61 of 1973), as amended, and granting an order to that effect:

the special resolution passed at the general meeting together with the Order of Court confirming the reduction of share premium being registered by the Registrar of

the delivery to and receipt by GFSA of all the GFL and Stanbic shares held by all or any of the wholly-owned subsidiaries of GFSA.

3. Reminder of record date Shareholders are reminded that the last date for registration as an ordinary shareholder of GFSA in order to participate in the share distribution is expected to be at 21:00 on Friday 16 October 1998, or such other date as the directors decide.

Further ennouncement
 A further announcement will be published on or about 15 October 1998 reporting on the fulfilment of the remaining conditions precedent.



U.S. \$400,000,000 Hydro-Québec

Undated Floating Rate Notes, Series GL, Unconditionally guaranteed as to payment of principal and interest by

Province de Québec

Interest Rate Interest Period 5.625% per annum 17th September 1998 17th March 1999

Interest Amount per U.S. \$10,000 Note due 17th March 1999

U.S. \$282.81

Credit Suisse First Boston (Europe) Ltd.

Banks at odds over euro payments

Intense competition, overcapacity and increasingly tight deadlines are a recipe for chaos, writes George Graham

Across many segments of place at the right time," said allow banks to cut out the paring for monetary union director of institutional has appeared so daunting that financial institutions have buried the hatchet and worked together to try to make sure that nothing

But in the payments business, where the euro will bring dramatic changes, the competitive juices are running furiously, not just between banks but also between their payments

The potential for chaos is considerable. Next year, a national central banks. euro payment could theoretically be directed to any one of almost 30 separate payment systems, and few banks have yet issued the Standard Settlement Instructions to all their trading nartners to tell them where they wish to receive their payments in euros.

"Every bank will need to put in place Standard Settlement Instructions and specify their preferred settlement agent for the euro by the end of this month or they could face the prospect of funds not arriving in the right banking at Barclays Bank in

Some large trading banks say they have sent out their Standard Settlement Instructions, but most say they have only received a handful back from their counter-

At the heart of the euro payments system lies the Target network built by the European Central Bank. It connects payment systems in each EU country through

But Target is not the only system competing for payments volume. Indeed, it has quickly become clear that it will be one of the more options, and that it is likely to capture only a small portion of bank payments.

Among the competitors are national real time gross tre of massive overcapacity settlement (RTGS) systems linked to Target, such as France's TBF or the UK's Chaps-Euro, which can offer immediate guaranteed payment and, if they win

the market, the task of pre- Jolyon Larkman, managing costs involved in transfers through Target. On the other side stand

net payment systems such as the Frankfurt EAF system or the Euro Banking Association's euro clearing system, which will allow member banks to tot up all the euros they owe and are owed, settling up with a single daily payment.

While net systems do not offer immediate finality, they are much cheaper to use because banks do not have to put up the collateral to cover all their payments to and fro during the course of the day

All of these systems will the annual Sibos convention expensive euro payment bringing together banks belonging to the Swift financial message network, in Helsinki next week. But they all face the spec-

> in the European payments Nick Viner, a vice-presi-

dent at Boston Consulting Group, estimates that there are currently about 320,000 enough members, could high value payments a day

in the 11 countries that are these systems are required too expensive has been over entering monetary union. by their constitutions to stated. "Assuming that alter-Germany's EAF, the UK's charge banks on the basis of

Chaps Euro, France's TBF full cost recovery. Already, the prices are and the EBA's own clearing system are between them dropping. The ECB, which adding enough capacity to had expected to charge handle another 744,000 pay- E1.50-E3.00 for a Target payments a day. EAF alone ment, has already had to cut could theoretically handle its bottom price to E0.80 for medium-volume users. Pricthe whole of current demand for high value payments, Mr ing for Chaps-Euro is expec-

ing about DM0.30.

EBA board members are

meeting in Madrid this week to finalise their tariff and are

expected to come out in the

E0.15-E0.30 range. On cost

grounds, the bulk of the pay-

ments of the biggest banks is

expected to be channelled

through EAF or EBA, with

EBA having the advantage

for some banks of being

politically neutral.

Target will be one of the more expensive euro payment options and it is likely to capture only a small portion of bank payments

are the other national RTGS systems that each country is required to build to connect to Target, nine of which Mr Viner expects not to be commercially viable.

sent essentially fixed-cost businesses. Once the initial investment has been made. additional running costs are minimal: a classic recipe for a price war as each tries to win members to fill its

ECB officials claim the On the other hand, most of argument that Target will be

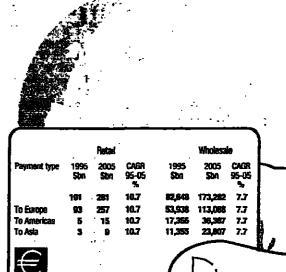
of about 20 eurocents, the opportunity cost of using Target would be about E180 per day. Let's be serious!" scoffed Jean-Michel Godeffroy. director-general of pay-

ment systems at the ECB. But high volume payments banks may be charging their customers only about E1.50 Viner said. On top of that ted to come out at about 15p for a payment, so using Target, at £0.80, would give away more than a third of Mr Godeffroy still has

some weapons up his sleeve. For a start, the ECB and national central banks will require banks to use Target for domestic money market transactions. They will also urge banks to use Target for very high value payments, though the definition of "very high value" remains open for discussion. But for the moment, he shies away from using all the force at the ECB's disposal.

"Although this possibility cannot be ruled out, we prefer to convince rather than

Some large international banks such as J.P. Morgan and Chase Manhattan caused a degree of panic last Cross border payments from Europe



year by announcing that they planned to convert all euros by the end of 1999. Not know they take whatever all of their counterparties will be ready to make payments in euros so quickly. But Susan Kirchhoff, who

stop counterparties from making payments to it in other euro-zone currencies. "Take the US dollar and pretend that's the euro, then

heads Morgan's Emu project.

says the fact that Morgan's

account is in curos does not

the D-mark is a guarter and currency they get and put it in our euro account.

But many other bankers remain cautious, and plan to wait until at least the second half of next year before consolidating their national currency accounts into a single euro account, by which time most of their transactions in these currencies will have

Rough patch ahead for par value shares



COMPORATE BUNGS

A manager's guide to the Euro

Why will share values be affected by the introduction of the single currency? Most European companies have shares with a designated "par value" of some nominal sum, say DM5 or £1. This value is mainly significant for accounting and legal purposes; it has virtually no relationship with the market value of shares. When the euro is introduced, the old currencies will disappea So these par values will have to be translated into

Sounds easy enough. What is the problem? Par values tend to be designated as nice round, or at least whole, numbers. The conversion into the euro will create a lot of untidy fractions and decimal

So what? It makes life rather complicated. How many decimal points will you use? What about share certificates that are denominated in the old currency? Will they all have to be exchanged for new ones? And will companies have to go through the time-consuming process of redenominating the shares to achieve a round number

euro figure?

is there a solution? One approach is to make all shares have a nil par value. That would eliminate the mathematical problem, since a share worth nil in one currency is also worth nil in another. Germany has already changed its law to allow compenies to do this and BASF has switched its DM5 and DM50 shares into no par value stock. BASF said that "unwelcome capital redenominations that would have been required to achieve round par values of shares after the conversion to the euro will no longer be necessary". Existing DM-denominated share certificates will remain in circulation. But Leslie Gunde, head of the Emu unit at KPMG, the accountants. says no other countries are yet following the German route. Companies will simply re-denominate their shares in euros. Belgium and Luxembourg aiready have their own variant on the system, in which shares have their own "accountable value" that automatically adjusts when new shares are issued. This variant, which is permitted under the European Union's Second Company Law Direction (issued in 1976), should be able to cope with the euro

change. What about Britain? The issue is particularly complicated in Britain. For a start, no-one has any idea whether or when Britain is likely to join up for the euro. Secondly, company law makes it quite a complex procedure for UK companies to alter their share capital.

Family

Properties of Chicks

One possibility suggested by the Department of Trade and industry is for companies to cancel their existing share capital and then re-issue euro-denominated shares. But the Law Society says such a procedure "will be relatively slow and expensive and, if used on a wide scale, is likely to create insuperable problems for an already busy Companies Court.

What about creating nil par

value shares? UK company law does not allow this at the moment. Companies issue shares with a nominal par value; if the price for the shares is higher than par, the excess goes into a share premium account on the balance sheet, which gives the company a certain accounting flexibility. But if that obstacle could be overcome, a shift to a nil par value system could have a number of advantages. A recent Bank of England paper on the euro* cited a number of reasons: It would avoid the complication that can result from giving a share a fixed nominal value that is unconnected with its true

market value. Its simplicity would make it more intelligible to less sophisticated investors and avoid misunderstanding. It would simplify the system of share capital maintenance by removing the distinction between the par value and the issue price of a share and also the largely artificial distinction between "nominal share capital" and "share

premium" It would give greater flexibility in amanging a company's capital structure Par value is an historical concept that many commentators believe has largely lost its significance under English Law. Protection of shareholders and creditors is available by other means. However, there could be significant legal problems. The Law Society pointed out in its response to the DTI that conversion of existing shares into a no par value system "may affect or render ineffective provisions in share rights or in other contracts and documents which refer to, or operate by

How about the Belgian approach? Both the Bank of England and the Law Society think that the accountable value approach would be of little help. "We think that it would be likely to lead to

reference to the par value".

complication and confusion, says the Law Society. And it would require "substantial amendment not only to the Companies Act but also to Accountancy Standards, the combination of which would be wholly disproportionate to whatever comparatively minimal benefit was achieved'

Practical Issues Arising from the Introduction of the euro

Philip Coggan

Comments about the weeking Business and the Euro page can be sent by e-mail to: international.companies@

DELIVERING IN EUROPE

Landeskredithank Baden -Württemberg

≵L-BANK

EURO 500 million 4.625% bonds

Joint Bookrunner

due 29 July 2005

July 1998

Allgemeine Hypothekenbank AG



ALLGEMEINE HYPOTHEKENBANK AG Ein Unternehmen der SHW-Gruppe

> EURO 500 million FRN due 21 July 2000 ·

> > Sole Bookrunner June 1998

Crédit Commercial de France



EURO 200 million FRN due 8 July 2002

Joint Bookrunner

June 1998

Unibank A/S



EURO 350 million FRN due 24 June 2003

Joint Bookrunner

June 1998

Bancaja International Finance

EURO 130 million FRN due 1 June 2005

Sole Bookrunner

May 1998

Schleswig-Holstein Girozentrale EURO 250 million 4.625% bonds

Landesbank

due 28 May 2002 Sole Bookrunner May 1998

Finance for Danish Industry A/S



EURO 150 million FRN due 27 May 2003

> Joint Bookrunner April 1998

Kingdom of Spain



EURO 1 billion 6% bonds due 31 January 2029

Joint Bookrunner

February 1998

Abbey National Treasury Services pic



ECU 300 million 4.5% bonds due 3 August 2001

Sole Bookrunner

January 1998

Much has been written about the challenges of dealing with the new Europe. At Bardays Capital we have always known what it would take to succeed. If we applied our US\$416 billion balance sheet, our AA credit rating and our ability to devise and execute focused integrated solutions for our clients, then the deals would come through. And they have. In the first six months of 1998, Barclays Capital has lead-managed 96 transactions totalling some US\$25.1 billion, including ten EURO deals worth EURO 3:6 billion. indeed Bardays Capital was the first bookrunner to launch a 30 year Euro on behalf of a sovereign and the first bookrunner of a EURO FRN to use EUROIBOR. At Barclays Capital we believe in pushing back the frontiers.

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Treasuries unmoved by Greenspan speech

GOVERNMENT BONDS By Khozem Merchant in London and

John Labate in New York

European markets closed with modest gains yesterday in quiet trading, as investors Stayed on the sidelines awaiting a keynote address from Alan Greenspan, chairman of the US Federal Reserve.

Many investors had hoped that Mr Greenspan would give a clearer sign of the Fed's willingness to reduce short-term interest rates. through the Federal Funds rate, in the midst of turmoil in emerging markets.

In the event, Mr Greenthe House banking committee did little to suggest such a cut was imminent and little to change the tone of US trading by early after-

"It did not contain any reference to monetary policy," Logan. "In July, there was a said Kevin Logan, senior majority of people who

market economist at Dresd- thought the Fed's next move ner Kleinwort Benson. "As would be to tighten." far as the bond market is concerned it was a non-

By early afternoon the 30year US TREASURY was up Mr Greenspan played down 1 to 1032, sending the yield down to 5.248 per cent. The 10-year note was off 🙀 at 105%, yielding 4.918 per cent while the two-year note was is no endeavour to co-ordi-% lower at 100%, yielding nate interest rate cuts." Mr 4.801 per cent.

Earlier this month Mr Greenspan had suggested for the first time that Fed policymakers may be prepared to give greater consideration to global economic turmoil in the making of US monetary policy.

That led many to expect span's prepared remarks to an interest rate cut could be on the way as soon as the next Federal Open Market Committee meeting on September 29.

> "We have had a shift, with a growing body of people feeling that way." added Mr

The most telling remark

came after Mr Greensnan's prepared speech. During a question and answer period. speculation that has been widespread in US markets about co-ordinated intervention. "At the moment, there Greenspan said.

The most noticeable reaction to the Greenspan speech came in the US equity market, where a morning rally turned to losses during the testimony. The move appeared to confirm that the US bond market would continue to trade near historic low vields.

clearly the only true investment choice right now, since it is totally unclear how our stocks are going to fare under global turmoil," said Dennis Hynes, chief investment strategist at R.W. Pres-

sprich in New York.

European markets moved mostly sideways ahead of Mr Greenspan's testimony, as global concerns outweighed domestic data. One bit of cheer came from the Bundesbank and the European Central Bank, which suggested Europe was coping well with the crisis in the emerging markets.

However, the likelihood of co-ordinated cuts in interest rates from the US, Japan and Germany became even more distant after three senior members of the Bundesbank council reaffirmed the hawkish position of Hans Tietmeyer, Bundesbank president, who earlier this week said that lower rates would

be inappropriate. The diminishing prospect "The bond market is of rate cuts was the backdrop to moderate losses in GERMAN BUNDS.

settled 0.11 higher at 114.14, The December futures conbut drifted in after-hours tract was trading at 113.48, trading to touch 114.02 amid investor nervousness ahead down 0.25 in a moderate sesof Mr Greenspan's comsion on the Deutsche Terminborse, with 456,000 conthe yield on 10-year gilts fourth quarter. tracts changing hands.

Analysts said the German ended at 5.12 per cent, with market was more vulnerable the spread over 10-year to external shocks, such as a bunds at 114 basis points negative reaction to Mr compared with 121 points earlier this week. Turnover on Liffe was 61,000 contracts.

June's average earnings

growth was 4.7 per cent, down from 5 per cent in Other European markets moved with bunds, with May, while the preliminary interest rate movements a figure for July showed a rise concern throughout the of 4.3 per cent. That is below the 4.5 per cent level region. The Irish central bank, seeking to cool an required if the government's inflation target of 2.5 per extremely hot economy. insisted it would not cut cent is to be met. David Brown, senior Eurorates until the last possible

moment before entering pean economist at Bear Stearns, said the fact that UK GILTS closed higher earnings rises were coming into line with official inflation targets was encouragings figures for June showed a continuing decline, reinforing. "This is better than cing the belief that interest expected and should be a expected and should be a good trigger for the rate cut," he said, adding that the The December gilt future bias at the Bank of England against a loosening of mone-

tary policy was changing. Mr Brown said a cut in UK interest rates was now very ments. In the cash market, likely, most probably in the

Russian debt rating

downgraded again By Edward Luce

Standard & Poor's vesterday added to Russia's gloom by further downgrading its sovereign debt rating. Russia is now rated at CCC, while its short-term foreign currency rating is only C.

Greenspan's comments or

the prospect of the emerging

market contagion spreading

to Latin America.

monetary union.

rates have peaked.

after August average earn-

S&P warned of the severe inflationary pressures likely to result from the Russian central bank's intention to settle the country's huge wage arrears by printing roubles. It also noted that Russia was starting to

tually paralysed," said S&P. "Meaningful structural reforms appear to be off the agenda, at least for now."

The agency also downgraded the sovereign rating of Kazakhstan by one notch to single B plus.

Kazakhstan had been badly affected by the deteriorating global environment particularly through the collapse in commodity prices given its dependence on revenues from commodity exports, it said.

The effect of the global turmoil on Kazakhstan's foreign exchange and treasury bill markets had reduced for eign exchange reserves for the currency, the tenge, to just \$1.3bn, said S&P.

NEWS DIGEST

MOZAMBIQUE

First private equity fund to be launched today

The first private equity fund for Mozambique, backed by the UK's Commonwealth Development Corporation and Banco Mello of Portugal, is to be launched today with \$19m of capital. Mozambique is one of the world's poorest countries following two decades of civil war and Communist rule, but has begun to attract substantial foreign investment since a peace deal between the government and the rebels and the introduction of free market policies. The World Bank estimates real gross domestic product will grow 10 per cent this year.

The fund, called the Mozambique Investment Company (Minco), will make equity investments of between \$250,000 and \$2.5m in various businesses, including those in the construction, tourism, agricultural processing and financial services sectors. Minco will initially finance expansion and modernisation of existing businesses and management buy-outs arising from privatisations or disposals by foreign companies. Later, it may finance the start-up of new Mozambican companies as the economy expands.

The fund's backers are undeterred by the turmoil in more developed emerging markets. "We're confident about Mozambican growth and the opportunities that lie here," said Rajesh Morjaria, Minco investment executive. "It's not hot money, it's not speculative capital. It's long-term com-

CDC, which manages private equity funds in eight other African countries, is putting in \$5m, as is Banco Mello, which has a stake in Banco Comercial de Moçambique, the country's biggest commercial bank, and is expected to introduce business partners to Minco. The other backers are Norfund, Swedfund, Proparco and DEG - the development finance arms of the Norwegian, Swedish, French and German governments - and Sanlam, the South African life assurance and asset management group. Victor Mallet, Johannesburg

RUSSIA-LINKED BONDS

TDK warns of redemption delay

TDK, the Japanese electronics group, said yesterday there may be a delay in the redemption of its holdings of bonds linked to short-term Russian government bonds. The company said in a statement that the book value of its holdings of such bonds, which were scheduled to fall due on September 28, was Y16.3bn.

TDK said the possible delay was due to an earlier decision by the Russian government to delay redemption of its bonds. The company said it would avoid a negative impact on its earnings through measures that included selling off the Russia-linked bonds.

The bonds were issued by Paris-based Crédit Agricole Indosuez, the corporate and investment banking subsidiary of Crédit Agricole. Reuters, Tokyo

\$ 30 H 15

Brokat Infosystems valued at DM523m

INITIAL PUBLIC OFFERING INTERNET TECHNOLOGY GROUP BRAVES MARKET TURMOIL

By Graham Bowley in Frankfurt and Vincent Boland in London

Brokat Infosystems, a German maker of internet banking technology, was valued yesterday at DM523m (\$310m) after shares in its initial public offering were valued at DM64 each ahead of its listing on the Neuer

Markt in Frankfurt today. Brokat is one of the few companies to brave current market turmoil to proceed with a listing. Many IPOs have fallen victim to the volatility in prices caused by for selling shareholders, was

the emerging markets crisis. Paternina, a Spanish wine maker, barely held its issue Europe's most active new issues markets.

In the US, the world's busiest IPO market, no new issues have reached the market for two weeks. The latest to be postponed yesterday was Galacticomm Technologies, which is to be reviewed likely to come the moment stock markets settle down.

Paribas, one of two lead managers for the Brokat issue, said the share offering, which raised DM141m

24 times subscribed. Some 30 per cent of the deal was allocated to retail price when it listed in Mad- investors in Germany, while

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10

on the health of one of institutional investors were market conditions were allocated 70 per cent.

The selling price of DM64 a share was at the top end of the indicative range of DM53-DM64 agreed earlier this month, although the range had been cut from an expected DM61-DM70 earlier due to concerns about equity on a day-to-day basis and is markets. Brokat is the 50th company to be listed on the Neuer Markt since it was set

up last year. The outlook for many other small and medium IPOs in the short term is uncertain, however.

Parc Group, an Irish group that provides contract staff, said yesterday it had put off its listing and would revisit domestic and international

more favourable. Bankers said IPOs that did not offer liquidity or were price-sensitive had little hope of attracting interest in the current climate. "Investors don't want

small issues; it's as simple as that," said one London-based banker specialising in bringing companies to market. The withdrawal of second-

tier IPOs is focusing more

attention on some big issues

that are due to be completed in the next few weeks. The three biggest imminent flotations are of Swisscom: DoCoMo, the Japanese mobile phone company; and

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≄ark rad	4, 69 4,43	+0.69	-0.20 -0.46	Sweden Switzerland	2.94	+0.76 -1.06	-0.13 -1 95	HOTTO	NAL 5 YEAR C	ALT FUTURE	(LIFFE) ET	00.000 100	hs of 100%		
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ad -	4.38 4.51 1.00	+0.38 +0.51 -3.00	-0.51 -0.38 -3.89	ECU Source: Interactive II London citismo. " N			-0,63	Dec El Notro	106 52 Nal uk eelt i	106.53 Futures (Le	-0.05 FE)* £100.0	106.52 000 1000as (106.52 f 100%	2	1694
eriands	4.18	+0.16	-0.71	Arrustiged yield bes					Open	Sett price	Change	High	TOM.	Est. vol	Open Int.
RERGING	i MA	rke	r Bon	IDS				Sep	113.55	113.92	+0.11	113.85	113,55	58	4959

				•			- "	"		400	Acres business	
Sep 16	Yle	ld Bonds	T-Bonds	·		Yield	Bunds	T-Bonds	Sep	-	113.65	-
Austrelia	5:	7 +1.27	+0.38	New Ze	aland	6 03	+2.03	+1 14	Dec	114 61	114.71	-0.15
Austria	4.3			Norway		5.35	+1.35	+0,45				
Belokin	4.3	4 +0.34	-0 55	Portugal		4 44	+044	-0.45				
Canada	5.2					4.53	+0.53	-0.36	UK			
Denmark	4.5					4 76	+0.76	-0.13	MOTION	WAL 5 YEAR (TLT FUTURE	S (LIFFE)
Finland	4,4				and	2.94	-1 96	-1 95		Open	Sett once	
Franco	4.2					4 99 4.89	+0.99	+ 0.10	_	Open		Chang
Germany	4.0			FCI)		4.05	+0.26	-0.63	Sep		105.40	-0.03
keland	4.3					-		-0.03	<i>Gec</i>	106 52	106.53	-0.05
italy	4.5				nteractivo (EL NOTTO	UAL UK ERLT	FUTURES (LI	FFÉT ETÚ
Japan	1.0 4.1				igsing, " Ni d wield bas		en)				Fam artes	
Natherlands			_		- ,	_				Open	Sett price	Changi
EMER(SING N	IARKE	L RO	NDS					Sep	f13.55	113.92	+0.11
						Day's	Mun's	Sord	Dec	113 84	114 14	+0.11
	~-		SAP	Bid	Bid	chge	chge	KS				
	Red date	Coupri	Rating	Drice	vietd	740	vid	US	MI LONG (ILT FUTURES	OPTIONS A	ECC - C10
Sep 16	DEL	manife.	l-inm-A	F	,	,	,					<u> </u>
									Strike			12
Created	02/02	7 000	BB6-	96.4777	8.20	-0 86	+0 08	+3 50	Price	00	t No	W
Potand	07/04	7.125	888 -	94,4909	8.35	-0.27	+1.87	+3.61	11400	0.51	1.0	9
Russia	06/07	10.000	CCC	20.8750	0 00	-	-2593	-4.85	11450	0.2		
									11500	0.15		_
E LATER A	MERICA.									L Cats 3636 6		
Argeotina.	09/27	9.750	88	78.3440	12.56	-1.50	+1.03	+7.34	CH. VII. EU		and the	
Brazil	05/27	10.125	88-	82,7500	16.24	-1.92	+266	+11.02				
Marico	05/26	11,500	郞	98.2500	11.95	-1 31	+0.84	+6.75				
anguoco									us			
e asia				_						ASURY BOND	атосе и	an era
China	07/06		888÷	93 65 9 0	8.90	+0.05	+1.35	+4.09	99 INC	APPRIL BUILD	PO DINES IL	שטוכ נופג
Philippines	10/16	8,750	88+	71,0000	12.91	-0.36	+2.29	+7.91		Open	Latest	Change
Thaltend	04/07	7.750	88 8 -	73 44 9 3	12.97	-0 75	+2.39	+8.12	Sep	127-31	127-30	
		_							Dec	127-24	127-24	+0-01
	MANDOLE EX		_						Mar	127-09	127-12	-0-01
I about	מתיכח	9.125	36-	100.7769	863	-0.86	+0.65	+3.80				_

default on its Paris Club commitments, which are generally considered the safest type of debt obligation. Goldman Sachs, the US "The local financial payments system has been vir-

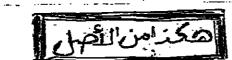
Ecu									INTERNAT	IONAL	BON	ids					•
ECU BORRO FUT	URES (MJ	TTEN ECU	100,000	<u></u> _					Sap 16	Red	Comon	S & P Rating	Sid. brice	Bid yld	Dzy's chge yid	Militir's chige yed	Spree
Ори		eit price	Change	High	LOW	Est. v	rol. C	pen int.	III EURO DM		901,001			,-		,	
Dec -		07.36	-0.12	-	-	-		-		~~	F 7000	AAA	109,6600	4.35	+0.04	-0.27	+0
US CORPO	DRAT	e Bû	NDS						ESB Saatin	02/07 01/07	5.750 5.750	AAA AA		4.33	+0.02	-0.30	+0
						Cav's	Mith's	Sord	Philip Monts	03/04	5 375	A	103.9100	4.55	+0.06	-0.45	+0
	Red		S&P	34	Bid	chge	chge	¥	. Finland FRW	09-02	- 3531	AA.	100.6440	3.19	+0.06	-0.32	-10
Sep 15	datu	Coupn	Rating	price	yleld	yki	ytd	Goves	E BURD FFR						•		
									Austria	81/04	5.500	ARA	107.6377	3.88	+0.04	-0.36	
Pac Bell	07/02	7.25	AA-	105.3989	5.64	+0.02	-0.38	+0.95	Abbey Nat	02/04	6.000	AA		4.02	+0 08	-0.32	+0
NY Tel	08/25	7.00		102.0553	6.83	+0.07	-0.14		Cred Foncier	02/04	9.125	A		4.38	+0.07	-0.19	
CHE	05/08	8.00	866	113.3938	5.13	+0.02	-0.22	+1.25	3CF FRN	12/01	3.617	AA-	99.9574	3.54	+0.05	-0.26	-0.
FIXARCIALS		•												•			•
GECC	05/07	8.75	AAA	119,9808	5.78	+0.02	-0.30	+0.90	E18	02/07	7.000	AAA	118.0500	4.38	+0.02	-0.31	-0
Banc One	08/02	7.25	A+	105.5262	5.63	+0.01	-0.40		Abbey Nat	02/02	6.800	AA.	108.3500	4.12	+0.05	-0.31	+0.
Media One	01/07	7.30	BBB	106.3711	6.30	+0.03	-0.15	+1.42	Wat Disney EB FRN	06/00 03/01	8.625 4.743	A AAA	107.3090 100.1879	4.19 3.76	+0.06 +0.04	-0.25 -0.30	+D.
T BOUSTRALS									■ BRU £				100.(013	6.70		-0.00	•
WMX Tech	04/39	6.25	BBB+	100,1286	5.99	+1.05	-0.09	+1.41	FB.	12/07	7.825	5.58	113,7746	5.66	-	-0.38	+0.
Wai Mart	05/02	6.75	AA .	105.0323	5.21	+0.01	-0.50		Dresdner Bik	12/07	7.758	AA-	108,9972	6.42		-0.08	+1.
Dayton Hud	06/21	9.70	888+	134.9842	6.74	+0.02	+0.06	+1,49	British Gas	03/00	7.625	A+	100.9105	6.93	+0.06	-0.43	+0.
■ AGENCIÉS	-			:					Abbey Nat FROM	02/02	7.900	AA	100.1379	5.52	+0 01	-0.59	+0
FILMC	04/07	7.14	N/A	111,5720	5.43	+0.02	-0.33	+0.55	E EURO S		•				•		. *-
SLMA	03/00	7.50	N/A	103.2452	5.18	-0.01	-0.42		68	04/07	7.250	AAA	111.9100	5.47	+0.05	-0.27	+0.
FNMA	02/18	8.95	N/A	136.0182	5.82	+0.01	-0.22	+0.57	ABN Ampo	06/07	7.125	n/a	105.9495	6.23	+0.07	-D.04	+1.
FFC8	06/06	8.95	MA	122,1278	5.40	+0.03	-0.34	+0.52	Quebec	01/07	7.000	A+	105.9488	6.08	+0.07	+0.01	+1.
	٠.,	-					-		Chicorp FRM	02/04	5.750	A+	100.0431	5.73	+8.07	+0.25	+0.
Stone Cont	02/01	9.88	B	95.8750	0.00	-	_	_	EURO CS		-				-		. • 3
AK SII	12/01	9.13	BB-	99.7500	0.00	-	_	-	Bayer L-8k	08/04	9.500	AAA	117.8417	5.63	+0.07	-0.13	+0.
Pacalia .	06/04	10.75	8-	91.0000	6.00	_	-	-	Toronto	05/04	8.500 10.625	AA+	112.8079	5.78	+0.07	-0.19	+0.
HY chaling. Standard &	Poor's rad	nas. Ylesds	: semi-anns	d basis.	Source	Interactive (ieta/Fi I	lebrosifoo.	Bell Canada Deutsche B FRN	07/99 09/02	5.875	A+ AAA	103.7895 100.0157	5.66 5.87	+0.50	-0.16 -0.03	+0.
•			• • • • • • • • • • • • • • • • • • • •						IN EURO YEN	varue.	2013	~~	100.0137	3.01	40.30	-0.03	
us interi	est i	RATE	S						World Bank	00.000	E 454	•••				_ :-	4
			<u> </u>						norio dank Soain	03/02 03/02	5.250 5.750		116.5588 118.3894	0.46 0.45	-	-0.32	-0.1 -0.1
Latest				Treasury Bills	s and B	ond Yield	s		Cred Funder	08/02	4.750		114.5428	0.92		-0.30 -0.32	+0/
		One	<u></u>		- <u>T</u> wo	year		4.79	daty FRN	07/99	0.727	Ä	100.2373	0.00	Ξ	-0.12	-0.
Prime rate	B	2 Ten)	month 1 month	4.8		9 1926 1985		- 4.75 - 4.73									
Fed funds	5		1978					- 493 526	Loodog closing.				/Aunualised be	States	: Interactive	Down ST 1	-

UK BONDS													. •		
FTSE Actuarie							_							UK h	ndice
UK Gilla	Wed Sep 16	Day's change %	Tue Sep 15	Accrued	xd adi. yld		Sep 16	coupon y Sep 15	yleid Yr. ago		Sep 15			COMPOR Sep 15	
1 Up to 5 years (18) 2 5-15 years (19) 3 Over 15 years (5) 4 Irredeemables (4) 5 All stocks (46)	120.57 170.02 220.69 292.89 161.89	-0.02 0.10 0.36 0.42 0.12	129.60 170.05 219.81 291.68 161.57	2.25 2.86 3.40 4.26 2.76	7.34	5 ws 15 yes 20 yes kred.t	5.40 4.95 4.93 5.17	5.39 4.99 4.97 5.19	6.72 6.70 6.70 6.79	5.46 5.09 5.08	5.46 5.12 5.11	6.81 6.73 6.70	5.43 5.17 5.17	5.43 5.19 5.19	6.85 6.80 6.79
index-linked			_					dilation 5 Sep 1	7%s-— 5 Yr.ag	0		Seo 15	0% 5 Yr. ago		
6 Up to 5 years (2) 7 Over 5 years (9) 8 All stocks (17)	220.38 239.96 236.17	0.08 0.16 0.15	220.20 239.58 236.83	0.97 1.25 1.20	4,36 5,06 4,91	Up to 5 yes Ower 5 yes	2.75 2.43				2.00 2.23	2.02	2.75	i	

	A.	Stocks (17)	236.17	0.15	235.83	1.20	4.81	VIIG	o yra	243	2.44	
b y.	âge,	grass redemption	ylekts are shown above	Coupan	Bands: Low	0%-74%, Heck ins	8%-10%%,	High	11% and over	t Ra yield	yed Year	b
FT	F	ixed Interes	st Indices									

anse sace (aut	110.00	1000	00 IU	3.32	100.03	} USI.	19 82712	109.07	93.51	Fix	ed inter	est	1	49.85	149.90	140.65 140	.56 14	096	27 64	440 -	·	
D FTSE international La Basis 100: Government	d 1998 AF	rights re	ander ,	Gr 199	5 Goya	mment S	accelles Non	SINCE COMPINE	dor: 127	40 (08)	01/35), k	W 49 T	8 (03/0)	rrs) fe	ac interest h	ion since com	rico in	19 AN 115	PO CO	142°	0 11:	3.42
tasis 100: Government	SECURES 1	21024	and Food	HE TE	1 1939	25 SC\$4	N Indices reb	ased 1974										-0.00 (10	- Tel:	-	nan	ntal.
UK GILTS	PRU	CES																	_	_		_
OK GILLO		754	_				يضمي							- :	` :							
																						_
		Yeld				~eek			_'	Yield			_ 52 e	week _				Yield				
<u>Noi</u>	es ini	Red	Price £	+ (X -	High	LON		Motes	ini	Red	Price £	+ W ~	High .	Low		Notes			vice E .	· ~-	52 w	100 100
inerts" (Lives up to A	m Years						Trans &Lou-	2004	£ 20		.072							- w			777	-
1926 15 pc 98		751	180.3	٠.	10614	200.2	Conv 9 ² 200 2	ms	6.26 7.75	5.25 5.37	107 <u>6</u> 1226		107	994						•		
och 12pc 1996		7.11			10543			2005			129[34]	+ <u>\</u>		1146	21 ₂₀₀ '99		158	2.57	19412	÷1g	1952	184[2
Team 91 300 1999	9.43			-	1033	1008	Trans 121200	2002-5	8.50	5.40		7	1312		4"306 1/1	<u>17</u> 13		3.27	20033	ملد	200景	180%
neas Filip Rate 1999			1007	_	100			705	7.14	5.28	1193	+1	1192	1257E 1097S	40C US		2.68	294	2007		2002	1861
ach 12 kpc 1999	11.33	6.89		-5				2006 子		5.19	129(3	+3		1183	1100 Us	(135,6	253	274	1284		129%	1204
1988 10 ¹ 200 1999		6.73	1027	- <u>I</u>	105,7 99,8	1021	Trees 7120c	3006	6.52	5.22		-7.	1154	10443	21	(69.5 (78.8		2.65	22033		220년	197%
reas 6oc 1999		6.57	99]}	-74	99,2	98.4		2006	6.66	5.36		+1,6	1166	105(3	21 per 17	(74.5)	2.48 2.45	256 256	202 H		20213	1794
жи 101 _к рс 1999	_ 9.83	6.40	104,	-/4	10643	103%	Trace Spr. 30		7.38	5.86		-7	1087	1031	71-ac 13		243		2141		2141	1861
							Treas 11 Apo	3003-7 *	9.54	5.54	1234	-⊼	123[3	1192	21anc 16		242	251	17913			1342
							Treas 81 ₂ pc	2007	£ 91	5.21	123	*	123	1111	21-ac 20		243		1982		197	1054
							Treas 74pc 2	2007	6.26	5.12	1158	وآب		103%	21-ce 24	(97.7)	240	248	19333			1564
							Treas 13 ¹ 200	2004-8÷	975	5.34	138	~ŏ	13812	1333	4 at 30	135.7	236		16377			
	_						14532 abc 50		691	5.12	1302	+1	130.	117]]				~~	10355	+11	1648	13013
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ZITY Spc 2000		6.32			105/		Treas 5-kpt :	3009	5.44	5.08		+18	10533	99%	(s) County 1	resi redenapŝo	U 1986 DD	projected	DOM:	of (1) B	% and 🤄	43%
ress 13pc 2000				≬	1151	110\$	iness 6 4pc;	201D		5.10		+14	110 ₄ 135 k	85¼								
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-	Conv 10pc 2002 4 Tress 7pc 2002 4 Tress 9t-pc 2002 4 Tress 9t-pc 2002 4 Tress 9t-pc 2002 4 Conv 9t-pc 2003 5 Tress 8pc 2003 5	676 11 82 8.77 6 69 8 42 8 53 8 62 8 38 7 23	574 731 560 558 564 564 564 542	10355 10174 11385 10484 11274 11485 11674 11674	수 103일 - 1062 - 114 - 수 104 - 수 112일 - 수 118일 - 수 118일	99년 101년 110년 100년 109년 108년 112년 104월	Over Pittete Years Tress Spc 2013 Tress Spc 2015 Tress Spc 2017 Spc 12pc 2017 Tress Spc 2017 Tress Spc 2021 Tress Spc 2022	6.18 6.05 6.07 7.02 5.71 5.06	5.08 5.20 5.00	129년 133년 144년 170년 149년 148년	おがれ	133.3 144.5 17013	1444	Other Fixed Interest	
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that at the moment there is

no endeavour to co-ordinate

interest rate cuts," he said.

Robert Rubin, US treasury

secretary, did not mention

rates in his testimony.

International Monetary

Fund to support stricken

economies. He said the US

had to promote global eco-

William Poole, a member

of the Fed's open market

committee that votes on

rates, said the bank could

not restore stability to the

world economy by reducing

rates. Similar remarks were

POUND IN NEW YORK

19,8700 58,2300 10,7698 8,6010 9,4737 2,8244 483,981 1,1256 2790,90 58,2300 3,1858

3.1856 12.4839

1,9695 2,5149 16,7350 1,6696

3.398 8.3453 3.3948 3.2728 73.5854 73.2079 8.2965 6.2628 2.8969 2.8786 10.3121 10.770 2331.73 2299.04 58.8144 57.6997 68.4150 68.2200

3.2728 3.2966 73.2079 73.9327 6.2628 6.2801 2.6766 2.8846 10.1770 10.3675

1,6790 1,5734 1,5684 1,5385

19.8827 58.2942 10.7862 8.8053 9.4795 2.8255

486.272 1.1322 2795.32 58.2942 3.1864 12.6061 289.801 240.179 13.0547 2.324

19.76 57,9308 8.5517 9.4207 2.8076 492,936 1.1265 2784.28 57,9308 3.1657 12,6324

28205 24 28095 24 2772 1.9 12935 -1.2 13.0538 -23 13.4819 -3.8

21.54 11.58 13.25 4.445 11.12 0.450 3.941 10 4.337 5.234 9.626 5.394 12.60 4.996 7.519 5.574 8.730

5,467 2,958 3,362 1,128 2,821 0,114 1 2,538 1,100 1,328 2,443 1,369 3,198 1,288 1,908 1,908 1,414 2,215

138,656 175 148

498.8 268.8 305.5 192.5 256.4 103.7 90.87 230.6 100 129.7 222.0 124.4 290.6 115.2 173.4 128.5 201.3

281,738 233,645 12,761 2,2203

2.4831 22.4478 1.6488

1.6 3.2727 -8.0 80.4593 1.0 6.2428 2.4 2.8408 -14.8 11.6814

411.6 222.7 253.1 84.92 212.4 8.596 75.29 191.1 82.86 103.1 240.8 95.46 143.7 106.5 166.8

22.38 12.11 13.76 4.67 11.55 0.467 4.094 10.39 4.505 5.437 10 5.804 13.09 5.191 7.812 5.791 9.069

Latest 0.7466 0.7565 0.7758

1.6652 1.6600 1.6560

357,000

357,000 0,796244 1957,51 168,220 7,54257 202,662 6,63186 1,97738 13,9119 40,7844 2,22799

3.894 2.161 2.456 0.824 2.061 0.083 0.731 1.854 0.804 0.970 1.784 1 2.336 1.334 1.618

Change -0.0104 -0.0101

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EUROPEAN CURRENCY UNIT RATES

+0.00738 +0.00738 +0.0477 +0.0417 +0.00417 +0.0083 +0.0083 +0.0083 +0.0083 +0.0083 +0.0083

1.710 0.925 1.051 0.353 0.882 0.036 0.313 0.794 0.415 0.428 1 0.397 0.597 0.597

High

0.7570

0.7459 0.7565

-5.79 -1.50 -0.93 -0.82 -0.78 -0.78 -0.75 -0.75 -0.88 -0.68

5.49 0.37 0.31 0.20 0.16 0.15 0.13 0.06 0.00

-5.94

Dec

3.23

PUTS

2.17 2.66 3.26

Oct.

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EXCHANGE CROSS RATES BFc

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Chaids Spicer, Flanck Franc, Homegius Vocar, and Swedch III 'D-MARK FOTORIES (MAR) DM 125,000 per DM

UK INTEREST RATES

Cents of Tex dep. (£100,000)

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MARKETS REPORT

The dollar rose yesterday on

signs that a US interest rate

cut might be further away

than the market had previ-

ously thought. The currency

was also helped by new

reminders of the economic

problems and political tur-

Alan Greenspan, president

of the Federal Reserve, yes-

terday gave testimony to the

House banking committee

without once referring to

interest rates in his prepared

testimony. Many market

strategists had expected him

to add to his comment of 13

days ago, when he said that

inflation might no longer be

the main threat to the US

economy. That remark had

fed the notion that the US

might respond to the col-

lapse of many financial mar-

Later, in answer to a ques-

tion from the committee, Mr

kets by cutting rates.

Sep 16

By Simon Kuper.

moil in Japan.

650

Est will Comment

First private equity fund

to be launched today

MARKET BUNDS

TOK warns of redemption de

BASE LENDING RATES

Serios Price

92500 92625 92750

92575 93000 93125

Adem & Company Pinencial & Gen Benk 8,00 eRobert Fleming & Co7.50 Hebib Benk AG Zurich 7,50 Allect Mish Bestik (GB) 7.50 7.50 7.50 C. Houre & Co Bank of Cyprus 7,50 Hongkong & Strengtral 7.50 tec Bank (UK) Ltd7.50 Bank of St 7.50 7.50 Juden Hodge B But Elk of Mild East 7.50 7.50 Casbank NA

7,50

United Bank of Kumaik.7.50 Unity Trust Bank Pic 7.50 Wildowsky Laidles 7.50 7.50

336.323 0.784335 1938.20 196.653 7.48104 201.109 6.57885 1.98218 13.8070 40.4780 2.21275 5.97385 6.25 6.25 Open let. 146979 183297 156165 149489 117707 Selice Price 1.670 1.690 1.698 12819 55813 28975 17158 12472 Nov 2.43 1.95 1.55

Errece Ireland Italy Spain Demark: Portugal France German; Austria Belgium Notheria

PUTS Oct Strike Price Hor Oct 1.68 1.38 1.12 Nov 1.84 1.52 1.30 0.89 1.70 1.39 0.60 0.81 1.06 0,79 1,00 0.596 0.590 1.25 IN THREE MONTH EURODOLLAR MANO SIM points of 100% Clarge 94.83 95.02 95.05 94.78 94.95 94.98 103,838 473,495 113,812 465,128 83,152 387,398 -0.02 -0.02 -0.03 94.79 94.97 95.00 EE DE TREASURY BILL FUTURES (BANA Stra per 100%

■ PULLADELPHIA SE D-MARKAS OPTIONS DIAC2.500 & per DM

2.22

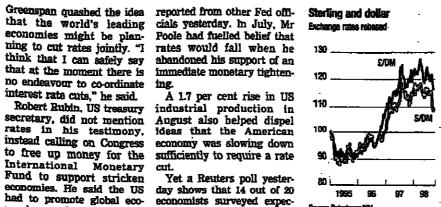
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Strike			HUS				PUTES -	
Price			Nhr .	. Jan	De	E	Mar	Jun .
90250	0.1	40 (1.218	0.250	0.15	0 0	220	0.380
98375	0.0	80			0.21	5		

Dollar firms as US rates look stable

reported from other Fed offi-

ted the Fed to reduce its fed-

forecast an easing.



had suffered heavy losses in Russian markets.

only 1 in 23 economists had The dollar also benefited from Tuesday's rally in US stocks, an easing of fears that Brazil would have to devalue, and a deadlock in day's London closes. Japan's parliament over

banking reform bills. that Japanese companies

eral funds rate from 5.50 per cent by the end of the year. In the survey last month, In US trading after Mr Greenspan's remarks, the

into place for a UK rate cut.

Yet short sterling futures

+0.0338 022 - 064 +0.102 500 - 260 +0.0159 494 - 514 +0.0157 495 - 539 +0.0162 745 - 759 +0.004 975 - 230 +0.005 761 - 871 +4.2 600 - 750 - 210 +0.005 777 - 085 +0.0056 077 - 085

+0.0056 077 - 085 -0.0049 182 - 202 +0.5 340 - 440 +0.38 540 - 680 +0.9657 084 - 148 +0.001 933 - 944 +9.002 753 - 782 -0.003 604 - 615

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dollar was at Y135.40 to the ven and DM1.6955 to the D-Mark, respectively Y2.6 and 0.85 plennig above Tues-

and yesterday average earn trend since the April peak in earnings is clear. The market now thinks that a rate cut is only a matter of time.

> They had risen excessively high, says Philip Shaw, chief economist at Investec in London, as traders became too enthusiastic about the

OTHER CURRENCIES

11.803 34.94 6.4455 5.6655 1.6857 291.92 1.6778 167016 34.84 1.9044 7.5359 173.202 143.557 7.8023 1.339

134 275 5.6

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133,800

3.8000 1.9547 43.7000 3.7503 1.7217 6.0900 1374.00 34.5150

island."

ing for months now: global chances of a rate cut. The asset prices have slumped; December 1996 contract lost this week retail price infla- 5 basis points yesterday, but tion dropped to the govern- still prices in a fall in base ment's target of 2.5 per cent: rates by about 50 basis points to 7 per cent. Given ings, data that the Bank of that inflation has been above England watches closely, the government's target for dropped to 4.7 per cent. That six months of this year so is still above the Bank's tar- far, that may still be too

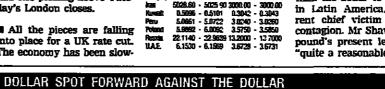
The pound, like the short sterling strip, behaved counter-intuitively yesterday. It firmed slightly against both the D-Mark and dollar. contracts fell yesterday, reaching DM2.8395 and DM1.6755 in late trading. Michael Scarlatos, currency in New York, said: "There is a lot of talk in markets that sterling is once again seen as

> The pound is less exposed than the dollar to a collapse in Latin America, the current chief victim of global contagion. Mr Shaw said the pound's present levels were

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8.177 46.96 16950

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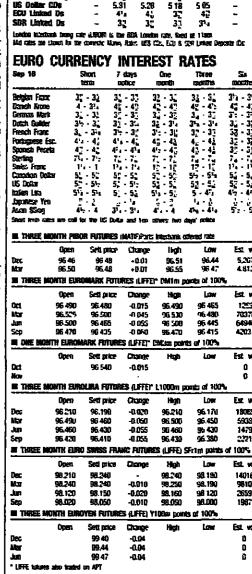


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MONEY RATES

S LIBOR BBA London

THREE MONTH BURD FUTURES (LIFFE) Equina points of 100% Selt price Change

IRA OPTIONS (LIFFE) 1.1000m points of 100% 0.100 0.250

Hongkong Bank
The Hongkong and Shamghai Banking Corporation Limited
(Incompraised in Marca Mona and Parallel of the Corporation Limited)

(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES

(SECOND SERES)

Notice is hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant interest Psyment Date December 17, 1998, in respect of US\$5,000 nominal of the Notes will be US\$73.46 and in respect of US\$100,000 nominal of the Notes will be US\$1,469.27.

September 17, 1998, London By: Clibenk, N.A., (Stebal Agency & Trust Services), Agent Bank CITIBANCO

T FT 500 000 000 000

For the period from September 17, 1986 to Morch 17, 1989, the Notes will carry an interest rate of 425592 per against with an interest about of 147 108,559 per LIT 5000,000 and of LIT 1,085,250 per LIT 50,000,000 Æ

SUBORDINATED FLOATING RATE NOTES DUE 2001 ISTN CODB: XS8032009822 For the period September 16, 1998 to December 16, 1998 new rate has been fixed a 3.59375 % P.A. Next payment date: December 16, 1998 Coupon nr: 31 Amount:
FRF 181.68 for the
legomination of FRF 20 000
THE PRINCIPAL PAYING AGENT

SOCIETE GENERALE BANK & TRUST S.A.

11-13, avenue Emile Renter L-2Q0 LUXEMBOURG

SOCIETÉ GÉNERALE

CONTRACTS & TENDERS

HELLENIC REPUBLIC MINISTRY OF DEVELOPMENT

Request for Proposals (R.F.P.)The Ministry of Development hereby invites interested parties to take part in an international public tender, with sealed bids (without counter-

bids), for the tourist development and longterm

use and operation, through concession, 326

"stremmata" in area (1 stremma = 1000m2) at Lagonissi Attica. The bidding process will be conducted by a Bidding Committee set up for this purpose at the offices of the Ministry of Development in Athens, Greece, at 2 Amerikis Street, 5th floor, in the conference room on Thursday 17th December 1998 from 10:00 to 12:00

Interested parties may obtain all the necessary information, from the day following publication of this invitation, in the form of a Request for Proposals", from the offices of the Ministry of Development at 2 Amerikis Street, 5th floor, Room 534, Athens, Greece, Monday to Friday from 10:00 to 14:00 hours.

The Minister of Development Vasso Papandreou

U.S. \$150,000,000



Undated Floating Rate Primary Capital Notes In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from September 17, 1998 to December 17, 1998 the Notes will carry an interest Rate of 5.75% per annum. The interest payable on the relevant interest payment date, December 17, 1998 will be

U.S. \$145.35 per U.S. \$10,000 principal amount. By: The Chase Manhattan Bank London, Agent Bank September 17, 1998

OCHASE

Ambroveneto International Bank Ltd US\$ 150,000,000 Floating Rate Notes due 2004

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from September 17, 1998 to December 17, 1998 the Notes will carry an interest Rate of 6.125% per annum. The Coupon Amount payable on the relevant Interest Pay-

ment Date, December 17, 1998 will be US\$ 15.48 per US\$ 1,000 principal amount of Note, US\$ 154.83 per US\$ 10,000 principal amount of Note and US\$ 1,548 26 per US\$ 100,000 principal

amount of Note.

The Agent Bank Kredietbank Luxembourg



US\$400,000,000 Undated subordinated floating

For the interest period from 17 September 1998 to 17 December 1998 the security will carry an interest rate of 5.75% per annum. Interest payable 17 December 1998 per US\$1,000 security will amount to US\$14.53 and per US\$10,000 security will amount to US\$145.35.

Slobal Agency and Trust Services, Teltank, N.A., London 17 Sensember 1998

CITIBANC

Midland International Financial Services B.V. created with families facility in The Mathematica Guaranteed Floating Rate Notes due 1999

U.S. \$200,000,000

rieed on a subordraded b Midland Bank piç 曹

Notice is hamby given that for the six months interest Period from September 17, 1998 to March 17, 1999 (181 days) the Note Rate has been determined at 5.5% per annum. The interest payable on the relevant interest payment date, March 17, 1999 will be U.S. \$276.53 per U.S. \$10,000 porminal amount.

Landes, Agent Bank

September 17, 1898 OCHASE

Oversupply and Russian and Asian woes are a bitter brew, writes Paul Solman

around 10-year lows. Russia's economic woes and currency devaluations among producing countries mean the global market remains bleak.

The problems of oversupply are not new and have been compounded by recent favourable weather in sugar growing regions. In 1997-98 (October to September), the year currently being harvested, production was 126m tonnes compared with consumption of 123m, according to analysts ED&F Man.

The world sugar surplus is estimated at 1m-2m tonnes. says Lawrence Eagles, at GNI in London. "Next year, the surplus will be much higher - 4m or even 5m tonnes. Many of the main exporters, such as Thailand, Australia and Brazil, are struggling to find a home for their sugar," he says.
As with most commodi-

ties, the Asian crisis has Production by the six proved a drain on demand. "Asia was the powerhouse of world sugar demand, and over the past decade it has been the only source of growth in demand," says according to the association, Tony Hannah at the Interna-

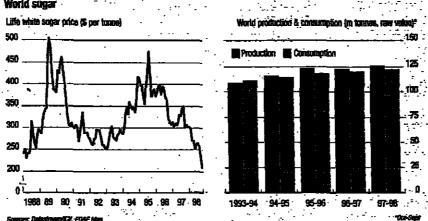
tional Sugar Organisation. "Indonesia has been at the forefront, and it imported 1.9m tonnes in 1997. But it's clear that because of their

A s sugar prices trade at economic problems they will not import in such quantities in future," he says.

Increases in local production have made nations self-sufficient in sugar. India for example, once imported large quantities to help meet domestic demand. In recent vears, the Indian sugar industry has gone through a dramatic adjustment.

"This year, production is looking at about 12m tonnes and India is still importing sugar. Next year it looks like being self-sufficient," Mr Eagles says.

China is also moving towards self-sufficiency. "China had a good crop in 1997/98 and the area devoted to sugar is likely to stay in place next year. It's not likely to need any sugar increase in imports to 2.8m



from the world market," says Chris Pack, at C. Czarnikow Sugar in London. Russia, meanwhile, effecsugar from August 1 after the government raised raw white sugar import taxes to 75 per cent and 45 per cent, respectively, from 1 per cent and 25 per cent. The move followed pro-

tonnes in the first half. The higher taxes were planned to 31. "But the economy is now tively stopped importing in such bad shape that is will have to adjust. In the unlikely to import in large quantities when tariffs end," says Mr Hannah.

Sugar prices are also suffering from world currency problems. In July, Thailand a leading exporter, devalued the baht, and there is the continuing threat of devaluation in Brazil.

Caribbean group production down 17%

tests from domestic sugar

producers after a four-fold

member countries of the Sugar Association of the Carlbbean this year declined to 718,831 tonnes, 17 per cent less than last year. writes Canute James in

Unusually dry weather attributed to the El Niño weather phenomenon, was

Production fell in all of its member countries -Barbados, Belize, Guyana, Jamaica. St Kitts, and Trinidad and Tobago.

Guyana was the leading producer with 265,473 tonnes; Jamaica produced 186,133 tonnes; Belize 118,112 tonnes: Trinidad and Tobago 78,309 tonnes: Barbados 46,473 tonnes; and St Kitts 24,331 tonnes.

Despite the lower production, the six countries are meeting their export. ouota commitments of 515,536 tonnes to the European Union, and have already exported 54,287 tonnes under quota to the US. The US quota commitments will be completed when 12,879 tonnes are exported later

"If Brazil devalues, it will be charged until December at lower levels, the price will fall further and the market long term, devaluations reduce prices, which affects oduction and prices fall

further," Mr Eagles says. Brazil, the third largest producer after the EU and India, is key to prices. "Brazil has almost had an exponential increase in production in recent years." says Mr Pack. "This year's production by mid-August was 7.75m tonnes against 5.77m last year. Alcohol production is down so sugar is where

the cane crop is going." Some analysts believe the current price of about \$215 a tonne for white sugar on Liffe may be about to bottom out as the market adjusts to

the supply situation. "Much depends on the speed of the Asian economic recovery," says Mr Pack, "and also how good producers are at managing their supplies. It's a testing time."

Producers asked to implement oil cuts

MARKETS REPORT-...

Ministers from Saudi Arabia Kuwait and Qatar yesterday called on the world's oil producers to implement fully the output cuts agreed earlier this year.

Cuts totalling 2.6m barrels a day have been pledged by members and non-members of the Organisation of Petroleum Exporting Countries in an effort to support flagging prices, but there has been evidence that some nations are failing to comply with the agreed levels.

The ministers said they had reviewed the oil market but made no suggestion that there should be any addi-

tional cuts in production. On London's International Petroleum Exchange, crude prices drifted. Second posi tion November Brent blend was \$13.30 a barrel in late trading, compared with Tuesday's close of \$13.28.

Cocoa futures fell sharply on the London International Financial Futures Exchange The benchmark December contract was £1,028 a tonne at the close, its lowest since March 1997, and £11 lower than Tuesday's close of £1,039. Traders cited fund selling in a bearish market.

Meanwhile, BHP, the Australian resources group, said its copper production rose 32 per cent to 193,100 tonnes in the three months to August 31 from the same period last year. It attributed the gains to the resumption of normal output from Ok Tedi in Papua New Guinea and strong output from Escondida in Chile. Output from Ok Tedi slumped last year after a drought dried up its Fly River supply route.

Copper prices slipped on the London Metal Exchange, the three-month contract reaching \$1.673 a tonne at the close against \$1,681 on NEWS DIGEST

FRENCH MINING

Eramet overcomes lower nickel prices in first half

Strong contributions from high-speed steel and manganese offset low nickel prices and helped Framet, the French mining group, to a 17 per cent rise in first-half net attributable profit from FFr176.9m to FFr207.4m (\$36.7m) on turnover up 4 per cent to FEr3.99bn.

However, Eramet warned that full-year income before exceptional items and taxes would be affected by secondhalf losses in the nickel division, and come in below the pro forma FFr716m achieved in 1997. Taking Into account exceptional items, the decline in 1998 net earnings compared with a year-earlier figure of FFr389m could be "moderate" - provided nickel prices and the US dollar exchange rate remained at recent levels.

Eramet said its nickel division would register a post-tax exceptional pain of about FFr100m in the second half. This represents part of the FFribn in compensation from the French government for agreeing to swap its Koniambo nickel deposit in New Caledonia for the smaller Pourn deposit owned by Societé Minière du Sud Pacific.

First-half turnover from nickel fell more than 12 per cent/ to FFr1.23bn, in spite of a 2.7 per cent increase in deliveries to 28,232 tonnes. Operating cash flow from nickel fell 60 per cent to FFr102m. The company said it expected 1998 production to climb 4 per cent to 57,000 tonnes. David Owen, Paris

Inco said yesterday it had no plans to cut nickel production further, even though the nickel market is expected to be in surplus for the remainder of this year. The world nickel market received a slight boost this week as product ers in Australia, Japan and China announced a series of small-scale cuts, raising hopes of a wider move to bolster sagging prices. However, larger producers, including Era-rnet and Russia's Norlisk, said they would not alter their production targets significantly.

On the London Metal Exchange yesterday, three-month nickel closed down \$60 at \$4,105 a tonne. Reuters

PERUVIAN COPPER-ZINC MINE

Canadians to spend US\$2.5bn

Three Canadian mining companies are to go forward with development of the Antamina copper-zinc mine in Peru, one of the world's largest undeveloped deposits. Rio Algom, Noranda and Teck have agreed with Peruvian govemment agency Centromin to invest US\$2.5bn in the project by 2002. The unusual agreement, which highlights the expected value of the ore body, commits the companies to spend at least that amount or forfelt 30 per cent of the difference between actual expenditures and the US\$2.5bn to Centromin.

Noranda and Teck acquired a stake in the project for C\$70m this summer from Inmet after falling metal prices left Inmet unable to finance its share of the project. The mine, in the Andes mountains north-east of Lima, is expected to produce 600m lbs of copper and 360m lbs of zinc annually over its expected 20-year life. The average cash cost for mining the copper is projected at 40 cents a pound, placing the mine among the world's lowest cost producers. Edward Alden, Toronto

Second coffee campaign in Russia, tions manager at the Inter- in Shanghai, Beijing, St nese believed strongly in the

The coffee industry is planning a second campaign to promote coffee in Russia and China next year follow-

ing this year's initiative. "Russia and China are

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Tracknot JAA, 98.7 PURITY (\$ per tonne

M ALLMANUM ALLOY (S per tores

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BASE METALS

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4045-55

61.1**8**9 21,715

5485-95 5558-60

5490-500

1385/1356 1378.5-79

527 5-28.0 529-30 530/527.5 529.5-30.5 527-28

4105-10 4160-70 4170/4090

5385-90 5400-05 5420/5385 5400-10

ENERGY

national Coffee Organisa- Petersburg and Moscow. tion, said yesterday.

sponsored by ICO in con- that there is cultural resisjunction with local coffee roasters, shops and large cof-

Precious Metals continued

292.75 -2.25 295.00 295.00 4 84 287.75 -2.25 389.50 287.50 109 2.888 285.25 -2.25 -3 387.50 148 3 288

487.0 -3.6 493.0 487.5 41 108 492.0 -3.5 500.5 491 0 8,088 53,220 494.0 -3.5 498.5 496.5 1 46 495.8 -3.5 499.5 496.0 757 9,272 497.8 -3.4 565.0 505.0 139 1,685 499.7 -3.3 503.0 503.0 22 2,580 8,003 72,889

389.0 380.4 2,190 9,958

■ SOLD COMEX (100 Tray az.; S/tray az.)

PLATINUM NYMEX (50 Tray oz.; S/tray oz.)

SILVER COMEX (5.000 Tray oz.; Cantalinay oz.)

One of the problems coffee This year's events were marketers face in China is

tance to coffee drinking. ICO found that even fee groups such as Nestlé, sophisticated consumers drink coffee, but only for important emerging markets Kraft and Café de Colombia. believed that coffee "keeps for coffee, where we can hope to increase consumpings, media briefings and the blood and is bad for the consider coffee at the coffee "keeps breakfast, so we are trying to raise awareness so that the blood and is bad for the consider coffee at the coffee "keeps breakfast, so we are trying to raise awareness so that the blood and is bad for the consider coffee at the coffee "keeps breakfast, so we are trying to raise awareness so that the blood and is bad for the consider coffee at the coffee "keeps breakfast, so we are trying to raise awareness so that the blood and is bad for the consider coffee at the coffee "keeps breakfast, so we are trying to raise awareness so that the blood and is bad for the consider coffee at the consider coffee at the consider coffee at the consider consid tion," Michael Heath, promo- university campus activities skin". In contrast, the Chi- other times of the day."

GRAINS AND OIL SEEDS

Sep 249.00 -5.25 257.00 249.00 333

N MAIZE (21 (5,000 by mir, costs/56th buship)

ME BARLEY LIFTE (100 tonnes; £ per tonne)

Sep Nov Jan Mar May Jer Total

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283.50 -52.20 273.00 283.00 16,506 79,373
278.75 -4.50 286.50 278.50 2,622 25,224
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286.50 -5.00 306.00 298.00 889 11,808
306.50 -5.50 308.00 298.00 25 379
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208.75 -1.50 215.00 206.25 35.342182.948
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228.75 -1.50 222.75 225.00 1,455 22,678
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48,725 318,977

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522.25 -9.75 534.00 522.00 710 1,789 526.00 -8.25 536.50 525.00 3,083 99.956 536.75 -8.00 547.90 536.00 3,586 24,841 548.00 -7.50 558.00 547.50 2,710 17,851 557.00 -7.75 567.00 567.00 681 7,714 568.25 -8.00 576.25 566.00 1,970 10,187 44,983 157,205

M. SOYABEANS CET (5,000to min; conte/60th brashet)

MYEAT LIFTE (100 tonnes; I per tonne)

beneficial effects of tea. The ICO believes the Russian coffee market is larger. "Coffee penetration is 70 per

cent in urban areas," Mr Heath said. "Russians do

W COCOA LIFFE (10 Innes; 2/km)

III COCOA (ICCO) (SDR'sAppres

III COFFEE LEFFE (5 tornes; S/lonne)

B COFFEE (CO) (US conta/pound)

73.52 +0.22 74.05 73.15 597 2.359
74.97 +0.31 75.48 74.35 4,535 35,923
74.43 +0.11 74.95 74.05 1,161 20,512
74.25 +0.10 74.75 73.92 184 10,249
74.70 +0.10 74.75 74.50 182 8,535
8,769 84,652

481,500 77,120 369,900 115,875 58,562

Sep 15 Daily

Sep Nov Jan Mar Hay Jel Tutal

Next year's events are again likely to centre on tastings and awareness campaigns in population centres and universities.

ICO proposals include par ticipating in the China Coffee and Tea Exhibition in Beijing in March, holding a "coffee week" in Moscow during April, and sponsoring television programmes.

996 -8 1003 1003 13 56 1000 -9 1045 1028 4,401 67,256 1080 -8 1075 1059 3,882 40,805 1080 -9 1095 1079 256 15,110 1100 -9 1112 1038 131 9,402 1119 -10 1135 1125 230 27,225

MEAT AND LIVESTOCK **JOTTER PAD** ME LIVE CATTLE CHE (40,000ths; casts/fbs) Price Company 1898 Lover Val Batt. Det 61,850 -0,875 62,850 61,300 8,878 31,158 Des 53,825 -0,250 64,875 63,825 6,435 30,820 Feld 63,850 -0,225 64,475 63,625 19,327 10,084 Apr 64,550 -1,225 65,550 69,000 1,335 8,070 Jam 62,550 - 62,975 62,500 539 5,079 Aug 62,550 - 82,750 82,500 535 1,282 Total 10,481 PORK BELLIES CME (40,000ths; cents/fbs) Feb 45.775 -1.576 48.400 45.560 1.303 Mar 46.400 -0.550 48.000 46.225 .76 May 46.300 -0.600 48.450 48.000 4 Total 1.582

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	1505	+2	1517	1505			LONDON TRADED	υ	riiu	M3	-
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	105.75						1450	10	33	82	87
						1.529	COPPER.				
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		+0.11		8.72		9.013	LONDON SPOT	M	IARK	EIS	•
						162,763	EL CREDE GEL FOR goer ban	noill			+07-
		- en na	The				SE 100 BM 141				~~ _

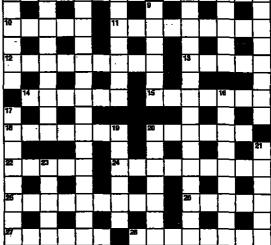
LONDON SPOT MARKETS ME CREEDE COLL FOR (per barrel)

W.I.J. M GIL PRODUCTS NWEPT	\$20.62-0.64X mpl delivery CIF ((erme)
Premium Gasoline Gas Cli Heavy Fuel Cli Maphite	\$190-152 \$123-125 \$90-61 \$123-126	+1
jet kud Diesei Mi Katural Gas (Pence/i	\$139-140 \$137-139 \$540	+3.5
Bacion (Oct) Pointeum Argus: Tel Lyunius III CTHER	12.55-12.60 (0171) 398 6792	+0.0
Gald (per lany o2) § Silver (per tray o2) § Platificant (per tray oz.) Platificant (per tray oz.) Copper Lead (US prod.) Tin (fical Lusque) Tin (fical Varid)	\$288.65 496.50c \$280.00 \$290.00 	-0.8 +1.0 -4.5 +2.0

Cattle (five weight) Sheep (five weight) Pigs (live weight)† \$178.70 \$216.00 Unq £109.00 Unq 47.00p 47.50p 258.00m Lon, day segar (case) Lon, day sugar (case) Barley (Sag. feed) Heate (US) bio3 Yellow) Whest (US) Dark Horse) Rubber (Oct)¶ Rubber (Nov)¶ Rubber (AL RSS HoT)

PRESENT (PL. RESS BIRT)
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S per home unless ortannion a lay in Mariny (SHE Suppor)
1,180 heing of pign stall. 637.5y 672.5 \$410.0y 150.0y 65.95 300p

CROSSWORD No.9,789 Set by ARMONIE



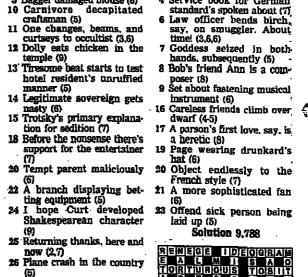
ACROSS
1 Rot a bit of material found 3 Advertising harridan's in inferior fuel source (4-4)
5 Dagger damaged blouse (6)
10 Carnivore decapitated craftsman (5)
11 One changes, beams, and opment (5.2.8)
4 Service book for German curtseys to occultist (3.6)
12 Dolly eats chicken in the

temple (9)
13 Tresome beat starts to test 14 Legitimate sovereign gets oasty (6) 15 Trotsky's primary explana-

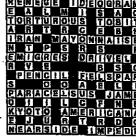
25 Returning thanks, here and now (2.7) 26 Piane crash in the country

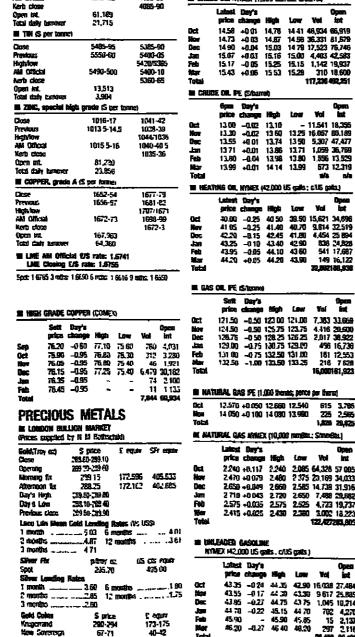
27 Recruit is silent, oddly enough (6) 28 One giving away drink containing receptacle (8)

1 Incite to play wildly during exercises (6)
2 Alabama bird consumed



month of inexorable devel-





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		брия	Dav's				Open	Dec	25.51	+0.05	25.67	25,41	10,582	46,384	Dec	220.7		221.0			
-			change	High	Low	Vol	int	Jan		-0.02	25.70				Her 	226.9	+4.5	227.0	222.9		14,1
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	=							Mar	137.5	-34			1,886	13,047	May	7.93	+0.09	7.96	7.87		9,7
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	Total					122,47	263 ,805		idon \$						<u> </u>	Fedures	(Base: 1	<u>967 = 1</u>	100)		
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Eŀ									p 1997						203.7		201.58				-
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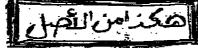
FINANCIAL TIMES THURSDAY SEPTEMBER 17 1998 FT MANAGED FUNDS SERVICE Offshore Funds Eramet overcomes love OFFSHORE nickel prices in first **AND OVERSEAS** BERMUDA CHAMPAGNE BOTTLE. **GUERNSEY**

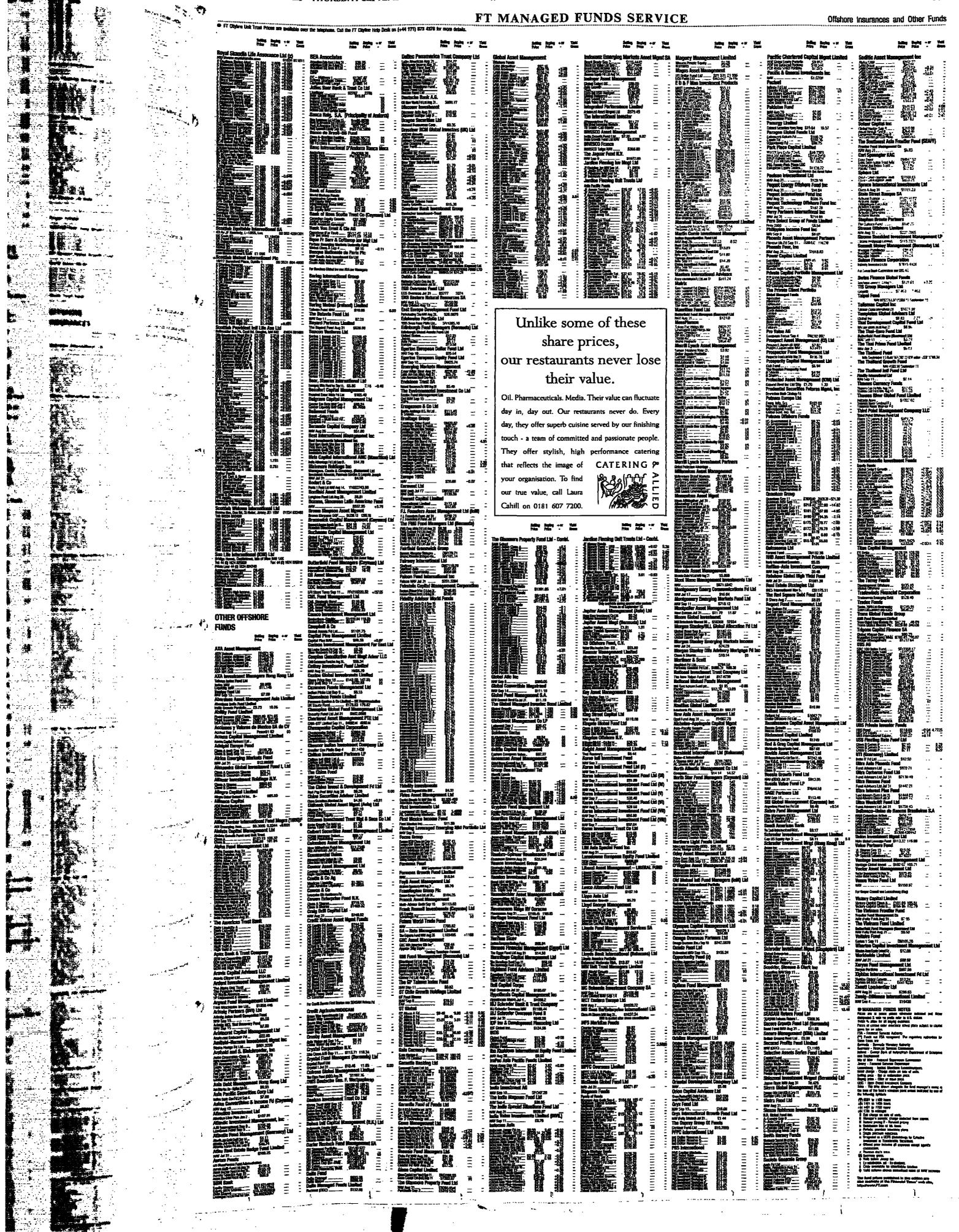
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Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

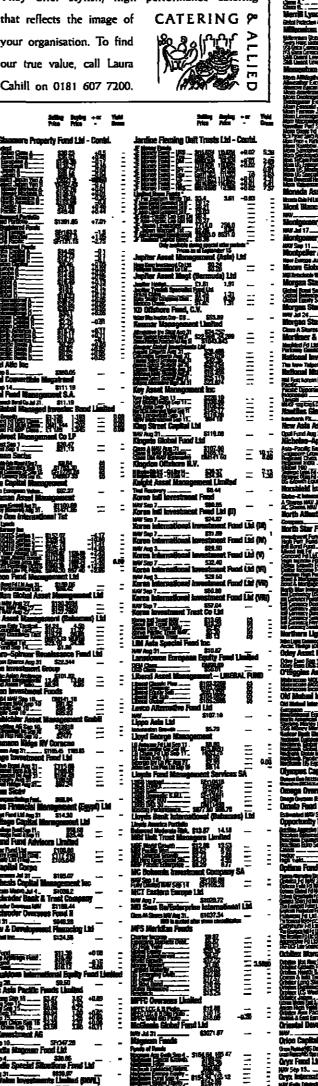
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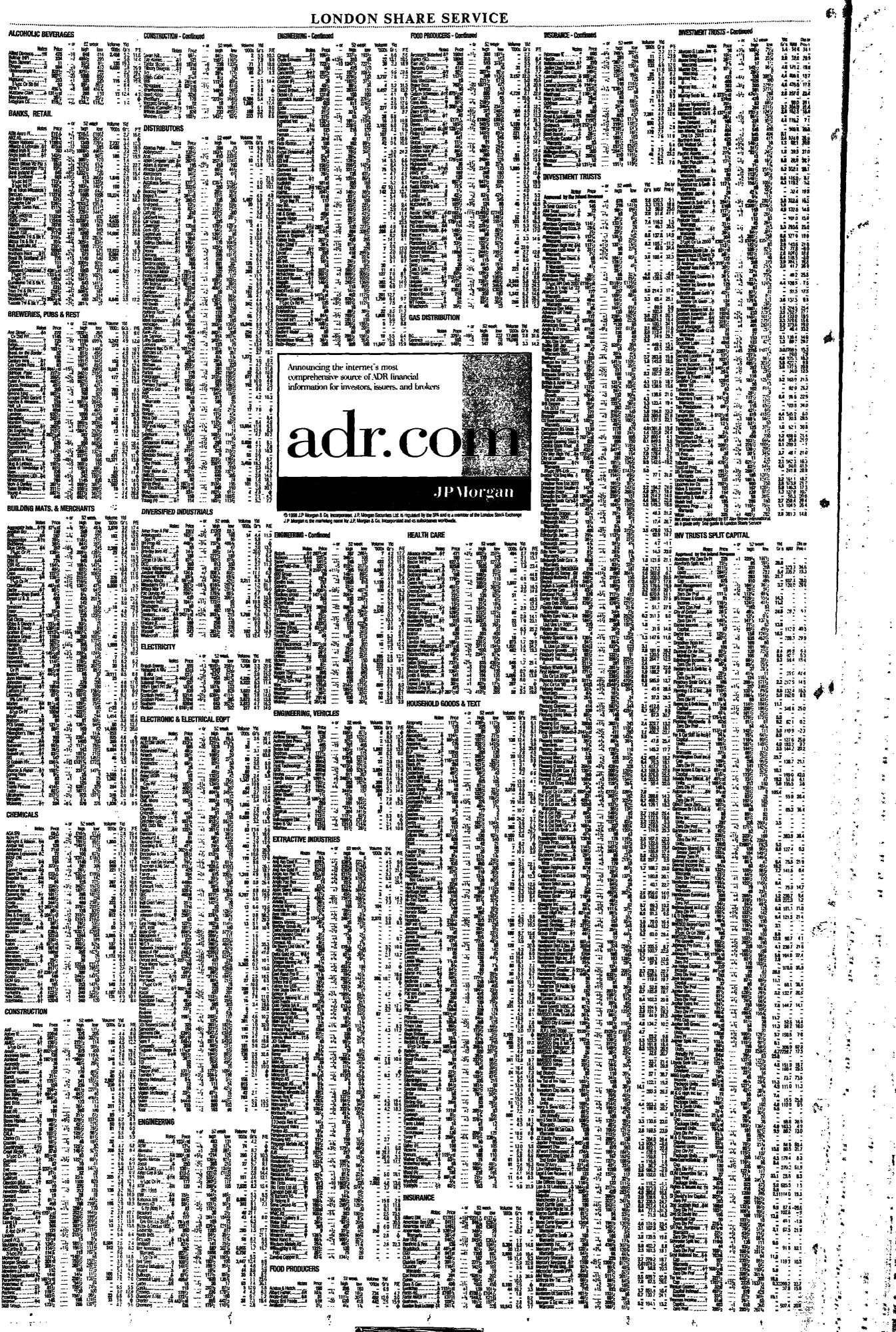


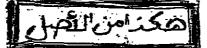


Unlike some of these share prices, our restaurants never lose their value.

Oil. Pharmaceuticals. Media. Their value can fluctuate They offer stylish, high performance catering







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حكنا من الاعل

Footsie edges higher ahead of Greenspan speech

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

London's equity market posted its third straight gain yesterday, as investors continued to respond positively to recent hints by global policymakers that the next move in interest rates on index had posted a 10.0 gain bourses and Tuesday's rise both sides of the Atlantic at 5,291.7, extending the rise on Wall Street. might be down.

won. A fierce battle developed between the market's bulls and bears towards the close of trading yesterday.

The late hout of nervousness came just ahead of the testimony by Alan Green- for the smallcaps, however. span, the chairman of the US The FTSE SmallCap index Federal Reserve, to the Sennudged up only 1.9 to 2,091.8. ate Banking Committee. At the close, the FTSE 100 with strength on European

over the past three sessions But the eventual modest to 173.1, or 3.4 per cent. At gain in the market was hard its best, in mid-morning, that the market bas weathwhen interest rate optimism showed a 78.9 gain at 5,360.6. nomic and financial crises in Gains were spread across Asia and Russia, which

managing to emerge on top 250 index ending 35.3 ahead after a desperate tussle dur- at 4,758.6, having hit a sesing the last hour of business. sion peak of 4.766.6 over the lunchtime period.

> There was less enthusiasm The UK's rise was in line

Marketmakers said there had been a growing feeling ered the worst of the recent was at its height, the index storms triggered by eco-

with the former only just the market, with the FTSE many observers feared a rate rise and one for a have taken a hattering durwould have a big impact on reduction.

Latin America "It's probably best not to run away with the idea that the turbulence is over and that we're back on the up escalator, but the market does feel healthier," noted

one dealer.

Also released yesterday August meeting of the Bank of England's monetary policy committee, after which interest rates were left on hold. The minutes revealed that seven members had voted for no change in interest rates, with one asking for

meets on September 29. The day's domestic eco-

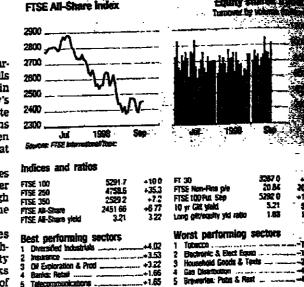
nomic news was given a time. warm welcome, helping to boost returning confidence were the minutes of the in the stock market. Average earnings for June rose 4.7 per cent, year-on-year, down from a May figure of 5 per cent, in line with most forecasts. Unemployment in August fell 16,400, more than

most had expected. Financial stocks, which

ing the market's hefty falls The next meeting of the in recent months, were in MPC is on October 8, while the vanguard of yesterday's the US Federal Reserve's advance, reflecting the rate open market committee cut view and perceptions that the stocks have been heavily oversold during that

> Lloyds TSB, whose shares have fallen by about 35 per cent from their 52-week high of £10.90, was among the best Footsie performers.

Turnover in equities topped the 1bn mark, finishing at 1.01bn, with activity in non-FTSE 100 stocks accounting for 43 per cent of



Negative update hits Bass

COMPANIES REPORT By Joel Kibazo and Martin Brice

Drinks and hotels group Bass tumbled after the market digested what it interpreted as a profits warning in the company's trading

A Bass statement said the group had seen a good performance across its hotels business but warned: "We have experienced difficult trading conditions over the summer in our UK businesses due to the poor weather, a general softening in consumer demand and other external economic and social factors."

One sector specialist said: "We knew things were slowing but the company seemed even more downbeat with analysts than in the statement, which only increases the concerns.

The shares fell 97p or nearly 12 per cent to 725p as analysts downgraded profit expectations by about £50m to about £638m for the current year. The Bass news also hit Scottish & Newcastle which fell 49½ to 725p.

A broker's recommendation helped Whitbread Rises and tells regain some of the ground it Total Rises lost in a sharp retreat late on Tuesday. The shares yesterday rose 9 to 780p.

Credit Lyonnais Securities since the emergence of the upgraded its recommenda- turmoil affecting Asia, Rustion on the stock to "buy" sia and Latin America. from "hold", saying "con-cerns over Whitbread's con-in the FTSE 100 table for sumer exposure have now are now attractive". Howprofits forecast for the cur- ing to Latin America, where rent year by £9m to £374m and reduced its year-to-2000

estimate by £28.3m to £387m. consumer spending.

blaming slower projected Growing expectation that the next move in UK interest rates is likely to be down produced a burst of support for the financial sector, which has been battered

much of the day, ousted only been overdone...the shares at the close by Enterprise. Badly bruised by the fear ever, Credit Lyonnais cut its of the financial crises shift-

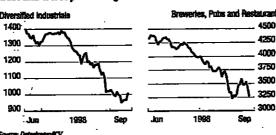
it has substantial exposure, Lloyds TSB shares have fallen about 35 per cent from their 52-week high of £10.90. Yesterday the stock was sharply higher, closing up 40 up at 717p after heavy turnover of 14m shares. Credit Lyonnais Securities was one of the prime movers behind the strong showing.

FT 30	INDEX		•					
	Sep 16	Sap 15	Sep 14	Sep 11	Sep 10	Yr ago	"High	Low
FT 30"	3267.0	3266.0	3271.2	3187.3	3217.9	3234.3	3984.0	3251.3
Ord. div. yleid	· 3.26	3.27	3.27	3.35	3.32	3.60	4.22	2.72
P/E ratio net	20.55	20.51	20.51	20.01	20.20	20.43	25.41	15.80
P/E ratio nil	20,46	20,42	20.43	19.93	20.12	20.15	25.19	15.71
FT 30 since comple	adox Nyn 3830	3 11/05/90;	lour 49 4 2	676/40. Ba	se Date: 1/7	36		
FT 30 since complision: high 3800.3 11/05/90; four 49.4 26/06/40, Base Date: 1/7/05 FT 30 industry changes								

	3266.0	3285.4	3266.1	3288.1	3276.0	3281.7	3264.2	3261.3	3307.9	3251.3
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SEAO bargains	62,925	57,400	62,389	65,768	59,009	45,364
Equity turnover (Emit		2443.6	2875.3	3742.1	2777.5	2156.8
Equity bargainst	-	42,053	47,B39	48,159	41,482	39,259
Shares traded (m)†	-	757.7	840.0	1091.5	922.4	680.0
Total coarlost bargainst:	-	57.367	62,778	65,568	60,340	-
Total turnover (Em):		3445.8	3833.3	4845.2	4051.5	
Total stes tracted (m)‡	7010.2	987.6	1048.1	1405.9	1186.1	-
Fradenoint turnover (2m)	28.0	17.4	31.1	40.5	35.2	26
Fradepoint shis traded(m)	9.5	6.6	11,5	12.2	10.2	0.5
Heateding Intra-market and over later-market terrover.		tout including	Crest turnover	*UK onder	total at 6pm.	‡ UK plus

Best and worst performing FTSE sectors



Somerfield, the supermarket with a positive trading as the basic business is in update at its annual general

The group, which pulled out of merger discussions with Booker earlier this week, said like-for-like sales in the first 16 weeks of its financial year were up 3.8 per cent and that it was on course for substantial cost shares closed up 22 at 4671/2p.

Rolls-Royce slips

200p as Mercury Asset Manshares, leaving it with 180m or 12 per cent of the company. The stock reached 305p earlier this year.

BG lost 191/2 to 3751/2p after figures well below market Net profits excluding disposals and windfall tax came

in at £105m. down from £134m the previous year and below a range of forecasts. The first-half dividend was raised 7.5 per cent to 4.3p. Steve Turner at HSBC

believes yesterday's decline kets group, pleased the mar- in BG was "an overreaction

good shape". The analyst

maintained his 400p near-

term price target. Enterprise Oil was the best performer in the FTSE 100 as Lehman Brothers reiterated its "outperform" stance following a positive meeting with the company.

The shares jumped 24% to savings after its takeover of 390p with Lehman reported Kwik-Save. Somerfield to have said Enterprise, together with its partners in the Gulf of Mexico, had raised its reserve estimates for the Llano prospect and Rolls-Royce was easier at surrounding areas to 1bn barrels a day against previagement said it had sold 12m ous forecasts of 300m bar-

Although bears suggested Enterprise was being too optimistic, sentiment was enhanced by a report sugannouncing second-quarter gesting Enterprise had ruled out a renewed bid for rival Lasmo shares were in

demand ahead of a presentation today on its Dacion interests in Venezuela. The shares gained 6 to 177p. Footwear and sports clothing group Pentland rose 2 to

back 10.4m shares at 84p. The bidding war for chassis maker Dennis moved to a new phase as Mayflower, which is offering 450p a share in cash, announced a strategic alliance with ance would include the Dennis operations should it win

unchanged at 163p while shares in rival bidder Henlys were off 2 at 451p. Its cashand-paper offer was last night worth 466p while Dennis closed down 2 at 464n.

Volvo of Sweden said it now had a 9.9 per cent stake in Henlys, near its 10 per

Logistics group Tibbett & Britten was off 45 at 3821/ap after it warned that its UK business had been affected by a slowing of demand in the retail sector. It said the poor summer and a slowdown in consumer spending had affected volumes.

Business Post hurt

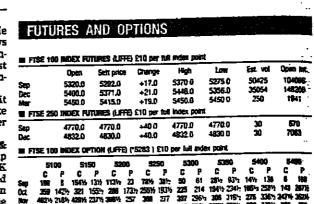
The near-halving of shares in Business Post came after the parcel delivery group dumped its previous sales forecasts and said that, even if there was no economic downturn, it was likely to achieve only modest profit growth for the full year.

The shares, which stood at 958p earlier this year, fell 3221/2 to 365p, their lowest level for three years. Confidence in the stock was hurt by the statement

that comments made at the annual meeting in July were "unrealistic". The company said then that revenue had increased by 17 per cent compared with the same quarter of the previous year. The market's worst perfor-

mance came from Celtic Resources which dropped 21/4 to 2p after the mining company unveiled a litany of troubles it had encountered in Russia.

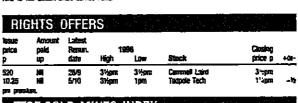
These included frozen 864p as it said it had bought banks accounts, business partners that defaulted on debts to Russian banks, troubles in getting gold samples out of Russia for testing. problems in finding a strategic partner, and the suspension of talks aimed at se had been suspended and mining operations put on a



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The World Links for Development Program is a global collaborative learning program sponsored by the World Bank. The Program links secondary-level students and teachers in developing countries with their counterparts in industrialized countries, via the Internet for two-way teaching and learning.

The objectives of the World Links for Development Program are to:

- Improve and expand educational opportunities for students in both developing and industrialized countries,
- Build capacity for developing countries to use information technology for economic and social development, and
- Facilitate cultural understanding among youth around the world.

Over the next three years the Program aims to reach 1,500 schools in 40 developing countries involving at least as many schools in industrialized countries.

The World Links for Development Program is seeking corporate, public and non-governmental financial and in-kind support to complement the \$2 million annual grant financing allocated by the World Bank. In-kind support is particularly needed for basic information and communication technology equipment (computers, printers, modems, ethernet cards, hubs, network cable, etc.), to establish school-based, networked, on-line computer labs. For interested corporate sponsors the World Links for Development Program offers significant public relations and business development opportunities in emerging markets, in Latin America, Africa Eastern and Central Europe, and Asia.

> Interested corporate sponsors should contact: Sam Carlson, WorLD Programme Manger 202-473-7561 (tel.), 202-676-0961 (fax), scarlson@worldbank.org (e-mail) Elizabeth Ashbourne, WorLD Programme Partnership Coordinator 202-458-5247 (tel.), 202-522-1714 (fax), eashbourne@worldbank.org (e-mail)

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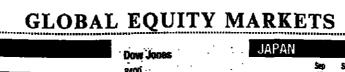
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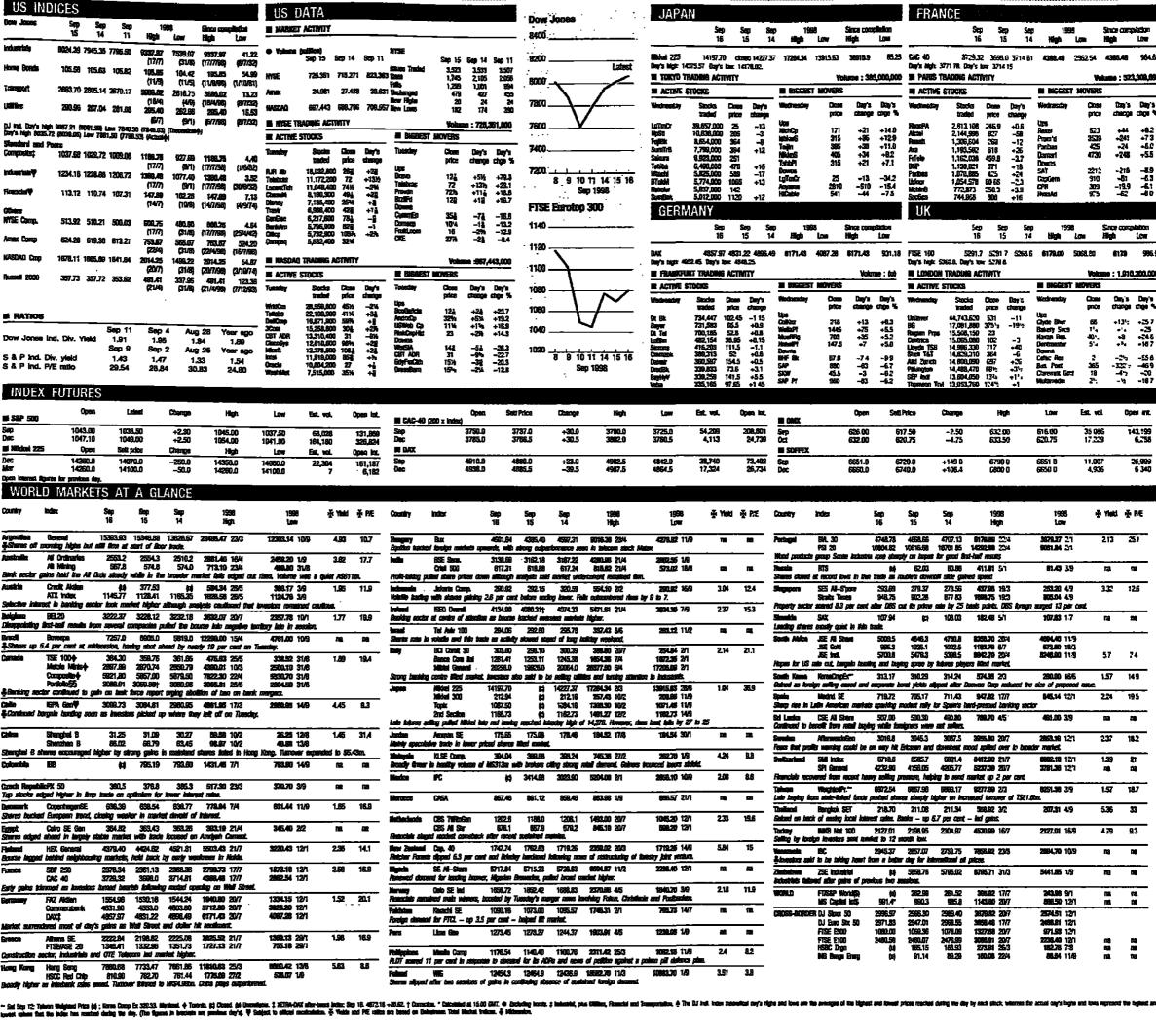
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STOCK MARKETS

Greenspan fails to strike the right note

WORLD OVERVIEW

Global stock markets spent much of the day waiting to see if Alan Greenspan, the chairman of the Federal Reserve, would ride to their

rescue, writes Philip Coggan. The hope was that he would drop a broad hint that a US interest rate cut was imminent even if Tuesday's comments from Hans Tletmeyer, the Bundesbank president, appeared to rule out co-ordinated G7 rate cuts.

Dow rallies

ahead of Fed

chief's speech

G7 monetary policy, disap- end of the GM strike. pointing the optimists.

European and Asian markets had already closed Greenspan started speaking. Jones Industrial Average had been 50 points ahead before the testimony, lost its gains and moved into negative territory when it saw the text of his remarks.

In the event. Mr Green- Strong US industrial produc- questions, like 'How can the there is a resolution of the span's official testimony tion numbers, reported earmade no reference to US or lier, were distorted by the

In early trading, Latin which saw a startling 18 per mostly higher before Mr cent rebound in the Brazilian stock market on Tueshopes of G7 action to prop up the South American country. But some analysts have doubts whether instant

A further burst of Latin

At the close of European trading, Latin American

markets were steeply higher.

sparking a modest rally for

Spain's hard-pressed bank-

ing sector and lifting the

general index 14.55 or 2.1 per

Down more than a third

since late July, the banks

came in for rough treatment

yesterday from CS First Bos-

ton, which cut its weighting

and downgraded BBV from

"buy" to "hold" on Latin

American currency con-

cerns. But BBV improved

Pta30 to Pta1,545 and San-

Telefónica jumped Pta270

5.3 per cent to Pta5,380.

while insurance leader

Mapfre rose Pta45 to Pta3.145

following an upbeat presen-

cent as the financial sector

put in a more confident per-

formance after the recent

selling pressure induced by

The SMI index rose 132.9

to 6,718.6, supported by

derivatives-linked buying

and further strength on Wall

SFr452.50 in midday trade as

the market pondered a

Term Credit Bank of Japan

was drawing up plans for the

Swiss bank to buy out most

the close, UBS was SFr15

Among insurers, Baloise

their joint ventures. By

report that the ailing Long

UBS tested a high of

events in Russia and Asia.

ZURICH climbed 2 per

tation to analysts.

tander Pta130 to Pta2,320.

EUROPE

to lift MADRID.

cent to 719.72.

IMF/G7 stand ready to help. if there are no funds available?' and 'How long would it take for Congress to agree America continued the rally to any emergency funding?" said Robin Aspinall of

National Australia Bank. "The rally in the Latin Wall Street, where the Dow day. That owed much to American region has been massive since the low on Thursday," points out Crawford Burden of Deutsche adverse reaction on Wall Morgan Grenfell, "This is a big liquidity-driven rally in oversold markets. Until

Paribas leading the banks

higher, BNP gained FFr18 at

FFr371 and Société Générale

Promodès jumped FFr241

or 7.3 per cent to FFr3,539

following an a positive note

from Merrill Lynch, which

expects the retailer to

achieve growth "far in excess of its peers" this year

Renault reversed initial

gains to close FFr12 lower at

FFr268 in the aftermath of

strong interim results.

Valeo, which hinted at slow-

ing profits in Europe, fell

Software leader Cap Gem-

ini, which put out strong

interim results late on Tues-

day, came off FFr61 at

FFr910. Alcatel was also a

heavy faller, dropping FFr58

FRANKFURT surrendered

the best of its early gains to

close modestly higher as weakness on Wall Street late

in German trading and an

easier dollar took their toll.

The Xetra Dax index dipped

from a high of 4.958 to finish

sought to deny rumours in the market that a profit

Among financials, Allianz was up DM12 to DM513

ahead of today's half-year

figures. Munich Re was also higher, up DM29 at DM705.

BHF-Bank fell DM7.40 to

DM67.60 as the news that the Dutch banking group, ING, had raised its stake to 39 per

cent removed buoyancy from

Dresdner Bank rose

warning was on the way.

FFr3.60 to FFr469.40.

at FF1927.

4.872.18.

and for the next two years.

FFr16 at FFr806.

Spanish hanks

interest rate burden on the Brazilian debt and a decline in the fiscal deficit, any global help is just a bandaid. We would sell into strength."

J. P. Morgan strategist Gary Dugan fears that a Brazilian devaluation would spread to the rest of the continent and cause a sharply Street.

Meanwhile, Barings

tive buying, while Hypo-

Vereinsbank gained DM4 to

DM143 and Commerzbank

to 1,027.34 on the AEX index

with strong gains for

selected financials plus an

8.3 per cent surge at KPN

ABN-Amro advanced

providing the firepower.

3.6m shares traded.

where sentiment was mud-

fell 60 cents to FI 126.40.

AMSTERDAM gained 2.64

rose DM1.10 to DM52.

Malaysia, deciding to retain the country in its Emergins Markets index despite the imposition of currency and capital controls.

"On the basis of what is currently known, the country remains investable, but only partially redeemable and this is not sufficient by itself to warrant its exclusion said Simon Hookway. global head of quantitative equity research with ING

Latin America boosts Madrid

Wall Street turned higher after a sluggish morning as investors awaited afternoon testimony by Alan Greenspan, the Federal Reserve chairman, writes John

Labate in New York. By early afternoon the Dow Jones Industrial Average had climbed 41.71 to 8.066.10. Coming on top of three days of sharp rallies, it was the strongest sign of positive investor sentiment in nearly a month.

The Standard & Poor's 500 index was up 4.24 at 1,041.92 while the Nasdag composite eained 12.52 to 1.690.63.

Stock prices strengthened in the hour before Mr Greenspan's testimony as investors awaited the latest signal

into the workings of the Fed. "What they are looking for at a bare minimum is further validation that the Fed would lower interest rates for reasons in addition to a US slowdown," commented James Weiss, deputy chief investment officer of equities at State Street Research in

Boston. Such a view would confirm suggestions made by the Fed chairman that the threat of emerging market turmoil now plays a greater role in US monetary policy.

While the main indices suggested the market remained cautiously optimistic that interest rates might be lowered soon, beneath the changing their outlooks for cents at C\$17.60.

Paine Webber upped the

Charles Schwab gained \$211 to \$3918 after the discount broker said it expected third-quarter income to be above expectations.

Motors on its results.

per cent to \$10% following the announcement of sweeping reorganisation plans.

in light volumes, with most investors sidelined ahead of the latest monetary progress report from Alan Greenspan,

At the noon count, the benchmark 300 composite index was up 48.06 at 5.905.10 with the banks providing most of the early drive.

gained 60 cents at C\$67.20 and Bank of Montreal added Among industrials, North-

ern Telecom rallied C\$1.50 to higher at SFr444. CS Group C\$66.80, partly reversing rose SFr1.75 to SFr209. Tuesday's C\$4.45 setback driven by lay-offs.

Golds were dull. Barrick at work on the task of Placer Dome came off 15

São Paulo surges 5% after IMF loan talks

continued to race higher as bras gained 1.8 per cent to currencies stabilised against R\$28.40. a background of IMF talks aimed at providing the region with special emer-

SAO PAULO was 5.4 per cent higher on the Bovespa index at midsession, having shot ahead by nearly 19 per cent on Tuesday - its steepest one-day gain for 42 months - and advanced by 39 per cent over the past three sessions.

The benchmark gained 371 to 7,276 in good two-way volumes as new-found confidence took hold of sentiment. Telecoms giant Telebras provided the bulk of the early drive, rising 7.7

Latin American markets per cent to R\$91.00. Eletro-

CARACAS rose 3.9 per cent or 110.68 to 2.967.75 on the IBC index at midsession with investors taking heart from a better day for international oil prices - Brent Blend clawed back above \$13 a barrel - as well as hopes for IMF intervention. SANTIAGO was backmar-

ker among the bigger centres. At midsession, the IPSA index was 0.81 or 1.4 per cent ahead at 60.13 in what brokers described as good vol-

They cited continued bargain hunting as investors picked up where they left off on Tuesday.

Among Dow components. General Electric was \$2 % higher at \$80% after Merrill Lynch raised the stock to a near-term "buy". Telecoms leader Lucent Technologies gained \$24 to \$76% after

stock to a "buy".

Steel company Carpenter Technology fell more than 14 per cent to \$31% after it discussed the impact of the recent strike at General

Retailer Venator rose 4.5

TORONTO moved higher

the US Fed chairman.

Royal Bank of Canada

gained SFr46 to SFr1,096 on 20.62 up on the day at news of a 31 per cent rise in

Nestlé climbed SFr48 to DM969.50 as the company SFr2,768 ahead of tomorrow's interim results when the company is expected to unveil a 4.3 per cent rise in

PARIS put Tuesday's modest losses behind it to close with the CAC 40 index up 31.32 at 3,729.32. Firmer banks made amends for weakness among motor

Financials pushed higher on a broad front, with Axa-UAP ahead FFr26 at FFr618

DM3.61 to DM74.61 on selec-

SOUTH AFRICA

futures-related buying.

Johannesburg rises again

the shares.

Shares in Johannesburg improved for the third day running, pushed along by

The all share index gained

wave of cash market buying.

3.4 per cent to 5,009.5 as today's close out for the main equity future sparked a 996.3.

Demand for financials was heavy and the sector index iumped 6.4 per cent to Golds were the odd man

out with the index reversing all the previous day's rally with a fall of 2.8 per cent to

Property stocks lift Singapore

ASIA PACIFIC

Strong demand for property shares sent SINGAPORE ahead almost 5 per cent and the benchmark Straits Times index closed up 44.47 at 946.75 after reaching a high for the session of 952.98. Property stocks surged

after another of the big four banks cut its prime rate by a quarter point to 7.5 per cent. The sector index jumped 8.3 per cent in brisk turnover. Keppel Land rose 8.5 cents

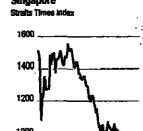
to S\$0.77 on volume of 20m shares and Wing Tai Holdings gained 6 cents to S\$0.70 with almost 18m shares changing hands.

BANGKOK also got a boost from softer local rescue the financial system, money markets which writes Alexandra Harney in helped to lift the banks sector 5.9 per cent.

Krung Thai Bank rose Bt0.60 to Bt6.50 and Thai down 29.67 at 14,197.7 after Farmers Bank added Btl.75 trading narrowly between to Bt19. Industrial Finance 14,176.02 and 14,375.57. Vol-Corporation was the day's ume was light at only 385m most active stock, gaining shares. The Topix index of Bt1.10 to Bt6.90.

The SET index climbed 3.34 to 1,087:5. In Osaka, the 7.43 or 3.5 per cent to 218.51 OSE average gained 35 to in relatively active turnover 14,909.

TOKYO was dragged lower the financial sector ended 36.14 or 3.2 per to 6.972.54.



by investor scepticism about apparent progress in the political debate on a bill to

Tokuo The Nikkei 225 Average reversed early gains to close all first sector shares gained

Although modestly higher.

remained at the centre of cent higher at 1,176.54. investor worries. Long Term HONG KONG's blue chips Credit Bank of Japan lost

On Monday, the stock had slipped as low as Y19, with the market concerned about the bank's sizeable liquidity Fuji Bank slid Y8 to Y364

improved Y12 to Y1,120 and the Bank of Tokyo-Mitsubiwas up Y13 to Y1,065. The securities companies sector improved 2 per cent. Blue-chip stocks and industrials were mixed.

Hitachi, the troubled electronics group, was down Y17 to Y589, while Toshiba was up Y16 at Y476. Toyota Motor gained Y40 to Y2,795 and Nissan Motor improved Y25 to Y444.

Suzuki, which announced a strategic alliance with GM Motors, the US group. dropped Y2 to Y1,238. MANILA pushed higher as a wave of buying rolled over PLDT. The telecoms giant jumped 80 pesos or 9.6 per

cent to \$10 pesos following overnight gains for the ADRs in New York. The composite index weighted index put on 114.58

drew strength from the positive tone in overseas markets, but recently oversold China-linked shares outperformed on Beijing's plans to stimulate its economy with reconstruction spending.

The Hang Seng index but Sumitomo Bank advanced 127.21 to 7,860.68 as red chips climbed 3.6 per cent and H shares surged 7.5 per cent. Property stocks edged

ahead. Salomon Smith Barney has recommended investors to underweight the sector, forecasting a sharp pull back in prices over the next six months. In spite of falling 45 per

cent from their peak in September 1997. Salomon expects a further 20-25 per cent decline in primary mass residential prices and 30-35 per cent declines in luxury residential and secondary

market prices.
TAIPEI climbed 1.7 per cent as a round of late buving, probably by state-linked funds, drove financials 1.9 per cent higher and electronics up 2.1 per cent. The

finished 370 ahead at 20,296. shares were suspended limit up for the third straight day ahead of its privatisation next month. At the close, the shares were

Alitalia, which was

American-related losses. STOCKHOLM saw a sharp

Fl 1.20 to Fl 39 and ING gained Fl 4.70 or 4.4 per cent to Fl 110.50. Telecoms leader affect the share price. KPN, hit recently by tariff cut scares, rallied strongly, 27.23 lower at 2,945.88. adding Fl 5.30 to Fl 69.30 on

Internationals had a dull ession. Philips shed Fl 2.60 to Fl 110.40 and Unilever, recovered and were quoted FM3.50 higher on the day at FM427. The general index died by a big share placing in the UK arm of the group, closed 45.22 lower at 4,379.40.

Written and edited by Michael MILAN was lifted by strong banking shares and Morgan, Jetfrey Brown and the real-time Mibtel index.

L398 higher at L5,622. sharply lower on Tuesday on reports that the European Union had rejected Italy's

Malpensa airport plan. rebounded L94 to L5,786. Pirelli soared L258 to L5.306 after its recent Latin

retreat in telecoms equipment maker Ericsson as the market buzzed with rumours that the company was preparing to downgrade earnings forecasts or issue a profit warning. By the close, Ericsson B shares were SKr11.50 or 6.7 per cent lower at SKr158.50 in spite of the company's insistence that it was not withholding any information which could

The general index finished In HELSINKI, Nokia took an early tumble in the wake of the Ericsson story. But by the close, the shares had

Among banks BNL

of Hermis, which has halved since July.

Parex bank.

could provide a potential

EMERGING MARKET FOCUS

Vilnius prepares for more falls

From its high for the year in mid-March when the Litin index approached the 1,000point level, the Lithuanian bourse has fallen to unprecedented lows following the Russian debt default and widespread turmoil in other emerging markets. By the end of August, the

index had fallen to 445 but it has since recovered slightly, closing yesterday at 455. So far, Lithuanian banks,

heavily weighted in the index, do not appear to have lost much money in the defacto default on Russian government debt. Bank of Lithuania, the

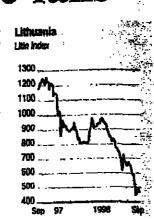
central bank, estimates total banking system exposure to Russia at the beginning of September was 133m litas (\$33m), or 1.4 per cent of total assets.

Of that, 32m litas was held in Russian short-term GKO treasury bills, and up to 85m litas in deposits in correspondent banks in Russia. The two leading banks.

Vilnius and Hermis, have said their exposure was very small, while another bank. Snoras, claimed it had managed to sell off - without taking a loss - its 80m litas of GKO T-bills after the default was announced. Local analysts remain sceptical and anxiously await "surprises". The caution is reflected in the share price

The market has steadied in the past two weeks, hoping for good news in the second-round tender to privatise the state-owned Agricultural bank. But Finland's Merita bank, on which high hopes were placed, did not make a bid, and the only low - bidder was Latvia's

Regarded by some analysts as "a dog". Agricultural bank has been losing market share and needs to be restructured, Augustas Staniulis, analyst at Hansabank Markets in Vilnius, says it



No.

buyer with a license for banking activities but it is not a bank into which a stra-

tegic investor would buy.

The extent of the banking system's loans to companies exporting heavily to Russia could be substantial About 24.5 per cent of Lithuania's exports go to Russia and several companies have said they will be hit by the eco-

nomic crisis. Endokrininiai Preparatai, Lithuania's second largest pharmaceutical company, has ceased production because it is not sure of

receiving payment for its exports to Russia. While about 60 per cent of pharmaceutical sector exports go to Russia and the crisis may dent trade, Mr Staniulis said the falling rouble may hurt west European companies that trade in dollars to the benefit of Baltic

Clouds are also gathering as Lithuania's parliament votes next week to impose a capital gains tax on individual Lithuanian investors, who account for about 17 per cent of all investments in the bourse. Lawmakers bave to decide between a 29 per cent tax or the 15 per cent counter-proposal by Lithuania's president. Either way. the bourse is likely to fall further as the law comes into effect next January.

Matej Vipotnik

Whose PREMIER LEAGUE ADVICE HELPED SPORTS DIVISION?

The combination of PricewaterhouseCoopers as corporate finance advisers and McGrigor Donald as legal advisers created a successful team on

MCGRIGOR DONALD

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This announcement appears as a matter of record only.

Sports Division's £290 million deal with JJB Sports.

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